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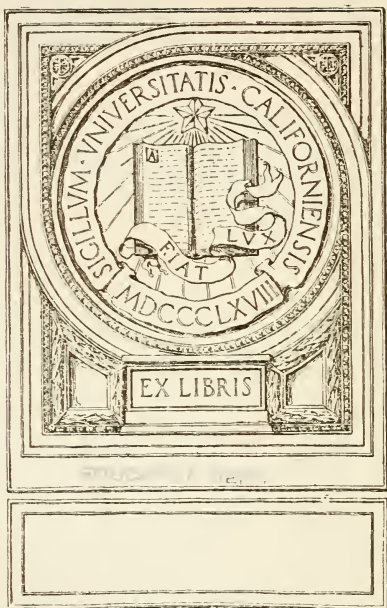
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# INTRODUCTORY BOOKKEEPING



F. C. WEBER

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# Introductory Bookkeeping

Arranged for use in the classes of

HIGH SCHOOL COMMERCIAL DEPARTMENTS  
PRIVATE COMMERCIAL SCHOOLS  
*and* INTERMEDIATE SCHOOLS

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EDUCATION DEPT

## PREFACE.

This text is designed for beginners. The aim throughout is to make the pupil understand and reason rather than to blindly follow illustrations or formal rules. Discussions occur at the time that points come up, the time when the pupil is interested in the points and most likely to think about and understand the discussion. Disconnected discussions of business nomenclature and processes, under black-faced captions, are purposely avoided. The attempt is made to treat the subject as a whole, unfolding it step by step, supplying sufficient drill upon each step to fix it in the pupil's mind before taking up another step. The aim is the understanding of the transaction, the ability to see through the bookkeeping machinery to the account and to know and understand the meaning of the account. If the work is followed as given, the teacher asking opportune questions from time to time, the pupil will develop this ability. This plan of work results in intelligent, willing and accurate workers. The text has been demonstrated by many years of use in the class room and with hundreds of pupils.

In conclusion, acknowledgment is gratefully made to those teachers who have helped with suggestions and who have tried so earnestly in the class room to carry out the plan and ideas of the text.

THE AUTHOR.

To Teachers:

These few suggestions are given with the hope that they will aid you in your work.

The subject as presented in the following pages has been simplified. Non-essentials have been omitted. This makes it possible to do everything given with great thoroughness. Thorough understanding on the part of the pupil and the doing of his work as a result of his thought is the goal.

In chapter one, when the pupils are young, it is a good plan to work out the various points step by step, using school currency and a hat to illustrate the transaction. It is often helpful to use boxes, desk drawers, or similar receptacles to visualize the account, placing on the side of them a sheet of paper with the account name on it. Then using school currency and familiar objects, go through a few transactions, keeping track of the values involved as indicated in the last sentence on page 1. Analyze the accounts thus built up as on page 2. Emphasize the cost feature (page 2), show that in order to get something into one receptacle (account) something must be supplied from another receptacle (account). The getting of a value costs the giving of another. The giving of a value supplies another (page 3). Emphasize the fact that an account is a place for keeping track of a class or kind of value and that it will answer that purpose when kept in a book the same as when nailed on a box, bin, etc. Such or similar illustrations will often help the pupil to see that each account is a record of a certain kind of value and that it has definite meaning.

The majority of pupils that fail in bookkeeping fail because they do not read with understanding or they are very inaccurate in their figuring. It is worth while to know your text well enough to be able to refer a pupil to the exact place where he will find the point that he has failed to master. (The index will help greatly in this.) It is as necessary in bookkeeping to teach pupils to read and understand as to select debits and credits. Sometimes it is wise to read a troublesome sentence or paragraph for them or with them. Many details of routine brought out will be omitted by the pupil unless you refer him back to the instruction until the detail becomes a habit.

Questions a, b, c (see end of chapters) should be emphasized, and applied to accounts **over** and **over**, and their idea kept constantly before the pupil.

The power to read, think, act intelligently, and habits of systematic work, neatness and precision are training that should be achieved through the study of bookkeeping.

Respectfully,

F. C. WEBER.



## I.—ACCOUNTS.

### I.

Suppose you go to a store and buy a hat, paying \$5.00 in cash for it. You receive a hat and you give money. Anything which can be used to buy with, or that costs something to obtain, has value. Value is purchasing power. The hat is of value to you—it costs you \$5.00; it was of value to the storekeeper for it secured for him your \$5.00. The \$5.00 was of value to you, it secured for you something that you need; it is of value to the storekeeper, he can use it to secure something which he needs. So we find in this transaction an exchange of values.

Money is the standard by which we measure value. We measure the worth of the hat by saying it has a value of \$5.00.

There is a value received or promised for receipt and a value given or promised to be given in every business transaction. A BUSINESS TRANSACTION is an actual or promised exchange of goods, property or other representatives of value.

BOOKKEEPING is the keeping of a systematic record or history of the transactions of a business. We must bear in mind that this record or history is of and for the business and not of the men conducting the business. In double entry bookkeeping, we keep track of both the values received or promised for receipt and the values given or promised to be given. In doing this, we group values of a certain kind together under one head: for instance, those things that we buy for the purpose of selling again—things that we “deal in”—we classify as merchandise; value that passes from hand to hand as money and in the place of money, we classify as cash, etc. A convenient way of keeping track of the different values is to write

down the name of a particular kind of value and in one column, on the left hand side, underneath the name, set down what all values of that class cost, or their worth, as they are received; in another column, on the right hand side, underneath the name, set down the worth of all values of that class as they are given out or disposed of.

Example:

<i>Merchandise</i>	
<i>426.30</i>	<i>74.10</i>
<i>216.23</i>	<i>5.16</i>
	<i>32.20</i>

Here the left-hand column shows that we have received two different lots of merchandise, the first valued at \$426.30, the second at \$216.23; or this column shows us that merchandise has cost us altogether \$642.53. The right-hand column shows us that we have given out or disposed of three different lots of merchandise valued at \$74.10, \$5.16 and \$32.20 respectively, or that of the merchandise that we have received, we have disposed of a part for \$111.46. Remember that merchandise is usually not sold at the same price for which it is bought.

The business must have given some form of value for this merchandise which has been received. Let us suppose we paid cash. We parted with the cash in order to get the merchandise, that is, the merchandise cost us cash, and cash produced for us merchandise, thus merchandise in this case costs value, cash produces or gives value. Likewise, if we sell merchandise for cash, we part with merchandise in order to obtain cash, hence, cash costs us value in the form of merchandise. Merchandise produces or gives value in the form of cash. Sometimes instead of value being given at once, it is promised for a future delivery, the business thus assuming an obligation, and later, when the value is actually delivered, the business redeems its obligation.

The above arrangement of merchandise bought and sold, or similar arrangements for keeping track of values of a particular class or kind, is called an account.

An account costs value when it is the cause of the business parting with some other form of value or of the business assuming some obligation. An account produces value when it supplies the business with some other form of value or redeems an obligation for the business.

It is often very necessary to know WHEN values are received or given, so we will modify the above record by giving the date in each case. To help us in keeping these facts in a neat and orderly manner we will rule lines and make the arrangement as follows:

<i>Merchandise.</i>											
19--	Jan 2				42630	19--	Jan 4				7410
	5				21623		7				516
							8				3220

<i>Cash</i>											
19--	Jan 2	In hand			550	19--	Jan 2				42630
	4				7410		5				21623
	7				516						
	8				3220						

Above is a Merchandise account and a Cash account. The items set down on the left-hand side are called DEBITS; those on the right-hand side are CREDITS. DEBIT means to charge or to enter on the left-hand side of the account. CREDIT means to place on the right-hand side of the account. REMEMBER that we: Debit an account when it costs or receives value, and Credit an account when it produces or gives value.

You will notice in the above Merchandise and Cash accounts that when merchandise costs value, or is received, and debited, cash is given, or supplies the value, and is credited. Also when cash costs value, or is received, merchandise pro-

duces value, or is given. In every business transaction there is an exchange of values. The getting of one form of value is the cause of our parting with another form of value, hence we say the account under which it is classified COSTS value. The giving of one form of value is the cause of receiving another form of value, hence we say the account under which it is classified PRODUCES value. The book in which accounts are kept is called the "Ledger."

You should now be able to answer the following question:

What is meant by value?

What purpose does money serve?

What is a business transaction?

What is bookkeeping?

What is the object of double entry bookkeeping?

What is an account?

When does an account cost value?

When does an account produce value?

What is meant by debit?

What is meant by credit?

## II.

You will now take two sheets of letter-head paper, or two half sheets of foolscap, and rule on each in RED ink the proper lines for one account as shown in the above Merchandise account.

Using your pencil and ruler, mark with a small dot the location of each vertical line near the top of the sheet and again near the bottom. Be accurate in doing this so that columns will be of same width at top and bottom. Place your ruler upon the paper so that the beveled edge will be up from the paper and over the dots previously made. Now draw your pen with red ink along the edge of the ruler that is up from the paper, with a firm, free movement. In ruling double lines, do not move the ruler but slant the penholder enough to give the space between the lines.

Over one of these accounts, equally distant from the right and left margins, write the heading "Merchandise"; over the other "Cash." You will now use these accounts in keeping track of the values received or given in the following transactions, which are taken from a hay and grain business:

Jan. 1. You have on hand \$500 in cash. Place this amount on the debit side of your Cash account, on the first line, writing in the wide column the words "Balance on hand." Thus your account will show the amount of money on hand at the time of beginning these transactions. Be careful not to omit the date.

**Note:** For the sake of simplicity, work of Chapters II and III is not intended to balance; hence there is no corresponding credit for the debit item which shows the balance of cash on hand.

Bought for cash an invoice of hay amounting to \$150.

In every transaction, ask yourself the questions: (1) What account costs or receives value? (2) What account produces or gives value? REMEMBER that we: Debit the account that costs or receives value, and Credit the account that produces or gives value. There must be at least one debit and one credit item for each transaction.

Bought for cash an invoice of barley amounting to \$210.

Sold for cash an invoice of hay and barley amounting to \$36.50.

Bought for cash 100 bu. oats at 36cts. per bu.

Sold J. D. Snell, for cash, 2 tons hay at \$8.50 per ton.

Sold for cash 2 bu. barley at 65 cts.

2. Bought of Jas. Wilton, for cash, 2 tons rolled barley at 75 cts. per cwt.

Sold Smith & Swayne, 200 lbs. rolled barley at 80 cts. per cwt., 10 tons hay at \$8.60 per ton; received cash for same.

**Note:** This is one sale although two items were sold. Of course, being one transaction only one entry is made for the total.

4. Sold the Star Livery Co., for cash, 25 tons hay at \$8.50 per ton; 50 bu. oats at 41 cts. per bu.

5. Bought of C. C. Moore, 225 bu. oats at 35 cts. per bu., paid for same in cash.

Sold for cash 50 lbs. rolled barley at  $1\frac{1}{2}$  cts. per lb.

6. Bought for cash 3 tons of hay at \$5 per ton.

Sold J. D. Snell, for cash, 10 bu. oats at 42 cts. per bu.

Follow these instructions step by step.

1. Sharpen your pencil to a very sharp point.

2. Go through your ledger and foot the accounts IN PENCIL, placing the totals in position like the small figures in the following account, but do not rule any line above or below the footings.

*John Smith*

1901	Jan 1		50	1901	Jan 10		50
	2		32 60		12		10 50
	5		14 25		15		5 43
					17		2 25

**Note:** If errors occur in work that has been written in ink, do not erase, but turn to "Corrections" in the Appendix and proceed according to instructions found there.

You should now be able to answer the following questions:

How much has merchandise cost you?

How much merchandise have you sold?

How much cash was on hand at the beginning?

How much cash has been received?

How much cash has been paid out?

How much cash have you now on hand?

Present your work, with your answers to the above questions, to your teacher for inspection.

### III.—EXPENSE.

Things that are bought with the expectation that they will be consumed ("used up") in carrying on the business, are classified as expense and charged to the Expense account. Also all outlays for labor, rent, etc., are charged to this account. In short the Expense account shows the cost of carrying on the business.

You may now take a half sheet of ledger paper and open accounts as follows: At the top of the first page (on the first blue line, equidistant from the right and left margins) write "Cash," at the top of the second page write "Merchandise,"

and at the middle of the second page write "Expense." Using these accounts, you will now keep track of the values in the following transactions, which are taken from a fuel business:

Jan. 10. Cash on hand \$432.65. Place this amount with the date on the debit side of your Cash account, writing in the wide column the words "Balance on hand." Thus your account will show the amount of money on hand at the time of beginning these transactions.

Rented a lot at the corner of Twelfth and Ohio streets to be used as a fuel yard, paying one month's rent, \$22.50, in cash.

Remember in every transaction to ask yourself the questions: What account costs or receives value? What account produces or gives value?

11. Paid James Sloan for work in cleaning up fuel yard \$2 in cash.

Bought 3 lbs. nails for use in repairing yard fence, 10 cts.

Bought lumber for use in repairing fence and paid for same \$2.50 in cash.

12. Bought one carload of oak wood for cash, \$63.

Bought for cash 20 tons of Black Diamond coal, \$120.

Paid J. Swinton for cleaning and repairing office room, \$4.25.

Bought office books and stationery for cash, \$12.80.

Bought postage stamps, \$5.

13. Sold C. W. O'Connor, for cash, 1 cord wood, \$9.75.

Received cash for 1 ton coal, \$9.50.

14. Bought for cash 1 carload gum wood, \$50.

Sold Smith & Dunton, for cash, 2 tons Black Diamond coal, \$19.

Sold 25 cts. worth of stamps to accommodate a customer.

Bought for cash from the Southern Mill Co., 5 loads kindling at \$2 per load.

15. Sold for cash 1 ton coal, \$9.50.

Sold for cash to Walter Stone, 1 cord gum wood, \$8, and 1 sack kindling, 25 cts.

Sold postage stamps for cash, 20 cts.

Received cash for 3 sacks kindling, 75 cts.

Paid John Dougan's wages for week in cash, \$9.50.

Foot accounts as instructed in Chapter II and determine the answers to the following questions:

What is the total cost of merchandise?

What are the total sales of merchandise?

How much cash was received during the week?

How much cash was paid out during the week?

How much cash is there now on hand?

How much has been paid for the expenses of the business?

If the books and stationery still unused are worth \$12.00; 3 weeks' unused rent, \$16.90; unused stamps, \$4.00; what has been the cost of running the business for the week?

Present your work and the answers to the above questions to your teacher for inspection.

#### IV.—PERSONAL ACCOUNTS—TRIAL BALANCES.

Under our definition of a business transaction, page 1, we find that values are sometimes "promised for receipt" or "promised to be given." Example: John Day buys a wagon of Walter Boyle for \$225, agreeing to pay for the same in 30 days. In this transaction, Mr. Day receives a wagon and promises to give \$225; while Mr. Boyle gives a wagon and receives a promise of \$225 to be paid in the future. Transactions of this kind, where promises not evidenced by writing are given or received, are spoken of as "sales on account" or "purchases on account." In many cases these promises are implied by the actions of the parties and are not definitely stated in words.

We open accounts with persons, firms and corporations in order to keep track of promises given and received which are not evidenced by writing. These accounts are called personal accounts. Debit personal accounts when they cost the business value, and credit them when they produce or supply value for the business.

Take a sheet of ledger paper, number the pages, allowing space as indicated, open accounts as follows: James D. Norton, Proprietor,  $\frac{1}{2}$  page; Cash,  $\frac{1}{2}$  page; Merchandise,  $\frac{3}{4}$  page; Expense,  $\frac{1}{4}$  page; Howard Hamilton,  $\frac{1}{2}$  page; Swinton & Mc-



Leod,  $\frac{1}{2}$  page; Mrs. J. W. Upton,  $\frac{1}{2}$  page; Frank C. Sinclair,  $\frac{1}{2}$  page.

Using the above accounts, keep a record of the following transactions:

Feb. 1. James D. Norton invests \$2000 cash in a retail grocery business. Remember you are keeping the records for the business. Mr. Norton here supplies value to the business with the implied understanding that some day his business will return this amount and profits in addition to him. Cash is received by the business.

Remember the questions that you are to ask yourself in every transaction.

Rented store at 2302 Central Ave., paying one month's rent, \$35.00, in advance.

2. Bought an invoice of groceries of Craig, Stone & Co., for cash, \$510.25.

Bought an invoice of wrapping paper of Howard Hamilton, on account, \$27.50.

Paid cash for cleaning store, \$7.25.

3. Bought of Swinton & McLeod, on account, a bill of groceries amounting to \$375.

Bought of Howard Hamilton, on account, an invoice of paper bags, twine, etc., \$39.

The proprietor withdrew from the store for private use, groceries amounting to \$2.50.

4. Sold Mrs. J. W. Upton, on account, groceries amounting to \$6.13.

Received for petty cash sales during the day, \$22.17.

5. Bought of Thurston & Clarke, for cash, an invoice of groceries amounting to \$817.50.

Bought of Swinton & McLeod an invoice of merchandise and had the same charged to our account, \$47.60.

Paid Howard Hamilton on account, \$50.

Received for cash sales during the day, \$26.10.

6. Sold Frank C. Sinclair, on account, groceries amounting to \$8.94.

Bought of Keystone Produce Co., for cash, an invoice of fruit and vegetables, \$13.70.

Received of Mrs. J. W. Upton, cash to apply on account, \$5.00.

Received for cash sales during the day, \$49.72.

Paid Wm. Wharton's wages for the week, \$8.

You have learned from the entries which you have been making that whenever an account has cost or received value some other account has produced or given value of an equal amount. Example: When you have bought merchandise amounting to \$50 for cash, merchandise has cost you \$50, cash has produced \$50. The debit of each transaction equals the credit in amount. Since this is true, the sum of the debits of your ledger must equal the sum of the credits. You will now take a trial balance to see if any debits or credits have been omitted from the ledger.

Follow these instructions step by step.

1. Sharpen your pencil to a very sharp point.

2. Go through your ledger and foot the accounts IN PENCIL, placing the totals in position like the small figures in the following account, but do not rule any line above or below the footings:

*John Smith*

19- Jan. 1		50	19- Jan. 10		50
2		32 60	12		10 50
5		14 26	15		543
		9 66	17		638 5

3. Take a half sheet of Journal paper; on the first blue line at the top, write "Trial Balance, Feb. 6, 19....." On the second blue line, write the page and name of the first account and in the debit, or left-hand money column, place the total debit and in the credit, or right-hand money column, place the total credit of the account. The following is correct:

*Trial Balance, Feb. 6, 19: -.*

1	<i>James D. Norton, Proprietor</i>	250	2000
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4. On the next blue line, list the next account of your ledger, and continue until you have listed all accounts in the ledger, leaving out such accounts as balance (total debit equals total credit).

5. Foot the trial balance in pencil in the same manner as you did the accounts of the ledger. If the debit and credit columns are equal, you may rule and foot the trial balance in ink. Rule one red line across the money columns above the footings and two lines immediately below. Remember that rulings should be as nearly as possible upon the blue lines of the paper and never have more than one space between the single and double lines. Your trial balance should have the same form as the following except the color of the ruling:

<i>Trial Balance, Jan. 10, 1911.</i>									
1	G. H. Howard, Proprietor							3	000
1	Cash	6	2	00				5	100
2	Merch.	6	1	00				4	342
2	Expense								
		12	4	42				12	442
		12	4	42				12	442

**Note:** Special instructions for locating errors in trial balances are given in the Appendix.

You should now be able to answer the following questions:

What is meant by "buying on account"?

What is meant by "selling on account"?

What are personal accounts?

When are personal accounts debited? Credited?

What is the object of taking a trial balance?

Apply the three following questions to each of the accounts named in your trial balance:

(a) What does the total debit show?

(b) What does the total credit show?

(c) What does the difference between the total debit and credit show?

## V.—Part 1.

Using the same ledger, continue the business of James D. Norton. The following are the transactions for the second week of February.

Feb. 8. Sold Mrs. J. W. Upton, on account, groceries amounting to \$2.43.

Mr. Norton has withdrawn from the business for his private use \$10 in cash.

Cash sales for the day, \$33.49.

9. Paid Swinton & McLeod, on account, \$47.60.

Mr. Norton withdrew from business for private use merchandise amounting to \$3.10.

Paid cash for advertising in the Evening Echo, \$13.

Received cash of Frank C. Sinclair, on account, \$5.00.

Received for cash sales during the day, \$42.25.

10. Sold Frank C. Sinclair, on account, merchandise amounting to \$7.86.

Bought of Preston & Little an invoice of fruit and vegetables, paid for same in cash, \$10.18.

Cash sales for day, \$43.79.

11. Sold Mrs. J. W. Upton, on account, groceries amounting to \$3.29.

Cash sales for the day, \$39.75.

12. Paid Howard Hamilton the balance we owe him on account.

Sold Frank C. Sinclair, on account, merchandise amounting to \$8.00.

Cash sales for day, \$42.80.

13. Mr. Norton withdrew merchandise for his private use, \$2.25.

Sold Mrs. J. W. Upton, on account, merchandise amounting to \$4.15.

Received of Mrs. J. W. Upton, to apply on account, \$8.00 cash.

Received of Frank C. Sinclair, on account, \$5.00.

Cash sales for the day, \$59.62.

Paid Wm. Wharton's wages for the week, \$8.

You may now take another trial balance in the same way

as the one of February 6th, include the pencil footings of the 6th when adding up the accounts in the ledger. Omit from the trial balance accounts which balance (total debit equals total credit).

Apply each of the three following questions to each of the accounts shown in your trial balance:

- (a) What does the total debit show?
- (b) What does the total credit show?
- (c) What does the difference between the total debit and the total credit show?

Carefully preserve your work for this set. You will need it later.

## V.—PART 2.—M. H. WINTERS.

Take two sheets of ledger paper, number the pages, and allowing one-half of a page for each account, open accounts as follows: M. H. Winters, Proprietor; Merchandise, Cash, Expense, Hiram James, L. H. Snowden, Walter Spencer. Star Provision Co., N. C. Sells, F. C. Ames & Co., H. A. Bolton & Co., W. A. Rae, Worth Bros. Co.

Using the above accounts, keep a record of the following transactions:

Feb. 1. M. H. Winters invested cash in business, \$4783.

Bought of Hiram James for cash, 63 Eighth St., 95 brls. mess pork at \$9.80.

2. Bought of L. H. Snowden on account, 147 Main St., 1025 bu. wheat at \$1.05; 790 bu. oats at 33 cents; 560 bu. corn at 41 cents.

**Note:**....When several items of merchandise are involved in one purchase or sale, the entry is made for the total of the transaction.

Sold A. H. Mangood, 162 Market St., for cash, 12 brls. mess pork as \$10.20; 165 bu. corn at 46 cents; 310 bu. oats at 35½ cents.

Sold Walter Spencer, 704 Kane Ave., on account, 342 bu. wheat at \$1.10; 60 bbls. mess pork at \$10.12½.

3. Bought of Star Provision Co., for cash, 863 lbs. cheese at 9¾ cts.; 77 brls. flour at \$6.05.

Received cash of Walter Spencer to apply on account, \$250.

M. H. Winters withdrew \$10 in cash for personal use.

Paid cash for books and stationery purchased on commencing business, \$27.85.

Sold N. C. Sells, Fourth and Wilton, on account, 237 bu. wheat at \$1.09; 179 bu. oats at  $36\frac{1}{2}$  cts.; 143 lbs. cheese at  $11\frac{1}{2}$  cts.

4. Paid cash to L. H. Snowden in part payment of invoice of the 2nd inst., \$425.

Bought of F. C. Ames & Co., 611 Wall St., on account, 2016 lbs. Rio coffee at  $14\frac{1}{4}$  cts.; 19700 lbs. sugar at  $5\frac{3}{4}$  cts.

Sold Walter Spencer, on account, 22 brls. mess pork at \$10.37; 221 bu. wheat at  $\$1.09\frac{1}{2}$ ; 464 lbs. cheese at  $11\frac{3}{4}$  cts.; 22 brls. flour at  $\$6.12\frac{1}{2}$ .

Received cash of N. C. Sells in full of account.

6. Sold H. A. Bolton & Co., on account, 43 brls. flour at \$6.12; 307 lbs. cheese at  $11\frac{1}{2}$  cts.; 780 lbs. Rio coffee at  $14\frac{1}{4}$  cts.

Paid cash for rent of building for month, \$75.

Take a trial balance, following the same routine as in Chapter IV, pages 10 and 11.

8. Bought of Hiram James, on account, 11540 lbs. S. C. hams at  $14\frac{3}{4}$  cts.

Received cash of Walter Spencer in full of account.

Bought of the Dean Oil Co., Inc., for cash, 60 brls. refined petroleum at \$9.35.

9. Mr. Winters withdrew for private use, cash, \$25.

Sold for cash 75 brls. sugar, 15000 lbs., at \$6.10 per cwt.

10. Bought of Hiram James, on account, 275 lbs. butter at  $28\frac{1}{2}$  cts.; 350 doz. eggs at 22 cts.; 619 lbs. cheese at  $9\frac{3}{8}$  cts.

Gave F. C. Ames & Co. cash to apply on account, \$450.

Paid cash to Hiram James in full for bill of the 8th inst.

Sold W. A. Rae, on account, 360 bu. corn at  $44\frac{1}{2}$  cts.; 200 doz. eggs at 25 cts.

11. Bought of F. C. Ames & Co., for cash, 210 bu. wheat at  $99\frac{1}{2}$  cts.; 40 brls. of refined petroleum at \$9.70.

Sold Worth Bros. Co., on account, 60 doz. eggs at  $25\frac{1}{2}$  cts.; 575 lbs. cheese at  $11\frac{1}{4}$  cts.; 250 lbs. butter at  $28\frac{1}{2}$  cts.; 3500 lbs. sugar at  $6\frac{1}{8}$  cts.; 200 lbs. Rio coffee at  $14\frac{1}{2}$  cts.

Paid L. H. Snowden \$500 cash on account.

12. Received of H. A. Bolton & Co. cash to ballance account.

Sold Star Provision Co., on account, 1750 lbs. S. C. hams at  $16\frac{3}{4}$  cts.; 290 bu. oats at 36 cts.

14. Gave Hiram James \$100 cash to apply on account.

Paid for Janitor's services \$13.50; for coal for office use \$5.25.

Received cash from Worth Bros. Co. in full of account.

Take a trial balance in the same way as before, include the pencil footings of the 6th when adding up the accounts in the ledger.

Apply each of the three following questions to each of the accounts shown in your trial balance:

(a) What does the total debit show?

(b) What does the total credit show?

(c) What does the difference between the total debit and credit show?

Carefully preserve your work for this set. You may need it later.

## VI.—JOURNALIZING.

Thus far your work has been to post (enter) the debits and the credits of the transactions directly to the ledger accounts. In this manner you obtain the results of the transactions but you do not have as complete a record of the transactions as is desirable in business. For example, it is not sufficient to know only that you have debited Mrs. J. W. Upton, on Feb. 4, \$6.13. It is necessary to know (especially in case of a dispute) why you debited her. Generally a memorandum of the transaction is written in a blotter or day-book or a copy of the sales ticket is kept. According to the following illustration and instructions you will now write the memoranda of the transactions for February on journal paper and at the same time select the debits and credits and arrange them in the journal so that they will be in convenient form for posting or transferring to the ledger. Posting to the ledger in business

is generally done at odd times when other matters do not require our attention. The first three transactions in February should appear in the journal as follows:

*Feb. 1, 19*

Cash	2000	
James S Norton, Proprietor		2000
James S Norton commenced the retail grocery business and invested cash \$2000.		
Expense	35	
Cash		35
Rented storeroom at 2302 Central Ave and paid one month's rent in advance \$35		
2.		
Merchandise	570.25	
Cash		570.25
Got an invoice of groceries of Craig, Stone & Co. for cash, \$570.25		

Notice and remember the following facts concerning the above journal entries:

1. The name of the account to be debited always appears first.

2. Each debit or credit has an entire line by itself.

3. The debits are placed to the left, close to the first narrow column, and the amount of the debit in the left-hand money column on the same horizontal line.

4. The credits are written a uniform distance to the right of the debits and the amount of the credit is placed in the right-hand money column on the same horizontal line with the name of the credit.



5. The explanation is written under the journal entry, beginning a uniform distance to the right of the credit. Each item of merchandise should be capitalized and occupy one line of the explanation. No part of the explanation is outside of the wide central column.

6. A blank line is left between the transactions, at the center of which a figure indicating the date of the following transaction is placed.

7. The full date of the first transaction on each page appears at the top of the page.

8. Never divide a journal entry. If there is not room for all of it on the page, leave the remainder of the page blank and begin on a new page.

Journalize all of the transactions in February (beginning on page 9) and present your work to your teacher for inspection.

## VII.—COMPARING JOURNAL AND LEDGER.

It is customary in business to make the journal entries first and then transfer the debits and credits from the journal to the ledger. You have now made the entries for James D. Norton's business in both the journal and ledger direct from the transactions. In order to grow familiar with the usual routine, you will now trace the debits from your journal to the ledger in the following manner:

1. What is the name of the first debit in the journal? Turn to the Cash account in the ledger.

2. What is the amount for the debit of Cash in the journal? See if you have that amount on the debit side of the ledger account.

3. What is the date of the transaction in the journal? See if you have entered the same date in the debit side of the ledger account.

4. Place a light dot on the double line just to the left of the amount in your ledger if you find the item is correct according to the three points just applied.

Continue through all of the debits in the same manner.

Having finished the debits, proceed in similar manner with the credits.

Look over your ledger to see if there are any items which

do not show the dot. If there are any, look them up carefully and see what the trouble is.

Present your work for inspection.

Carefully preserve your work for this set. You will need it later.

### VIII.—A. J. LAWS.

Journalize the following transactions:

Feb. 15. A. J. Laws engaged in the flour and feed business at 142 Karl Street. He invested \$1900 in cash.

(What account receives value? What account supplies value?)

Paid A. S. Lane for rent of store to Mar. 1st, \$50.

Bought of Miller & Hale, on account, an invoice of flour amounting to \$524.

16. Bought of A. Stevens, on account, invoice of hay, \$264.

Paid A. C. Randall for cleaning store room, \$4.75.

Bought of the Gross Stationery Co., for cash, office books, stationery, etc., \$28.60.

17. Sold A. C. Mills, on account, 5 bbls. flour, \$40.

Bought of Patrick & Noble, for cash, 10,000 lbs. Ro. barley, \$600.

Cash sales for day, \$18.75.

18. Bought of A. Stevens, on account, invoice of bran, \$110.

A. J. Laws withdrew from business for private use \$25 in cash.

Cash sales, \$43.75.

19. Sold to Jno. Harter, on account, merchandise amounting to \$64.25.

Paid Miller & Hale, on account, \$124.

Sold A. C. Mills, on account, 10 bbls. flour, \$80.

Cash sales, \$67.50.

20. Received of Jno. Harter, on account, \$25.

Paid employees for services during week, \$13.50.

Cash sales, \$88.60.

22. Sold Sinclair Walker on account, merchandise amounting to \$210.

Received of Jno. Harter, on account, \$25.

Cash sales, \$74.

23. Bought of A. Stevens, on account, invoice of merchandise amounting to \$160.

Sold A. C. Mills, on account, merchandise, \$56.

Cash Sales, \$91.10.

24. Mr. Laws withdrew for private use, \$5 cash.

Paid Miller & Hale, on account, \$200.

Cash Sales, \$76.40.

25. Received of Jno. Harter the balance due on his account.

Cash Sales, \$96.70.

26. Bought of A. Stevens, on account, invoice of merchandise, \$104.60.

Paid for extra labor today, \$3.50.

Cash sales, \$82.90.

27. Paid Miller & Hale the balance due them on account.

Received of A. C. Mills, on account, \$50.

Cash sales, \$105.

Paid employees' salaries, \$13.50.

Paid J. C. Swift for use of his team and wagon in delivering goods during the past two weeks, \$18.75.

Mr. Laws withdrew cash for private use, \$10.

Present your journalizing for inspection.

## IX.—POSTING ROUTINE.

Take  $11\frac{1}{2}$  sheets of ledger paper and number the pages. Allow one page for Cash and one for Merchandise accounts and one-half page for each of the other accounts. Open accounts in the following order: A. J. Laws, Proprietor; Expense, Cash, Merchandise, Miller & Hale, A. Stevens, A. C. Mills, Jno. Harter, Sinclair Walker.

Post the transactions from the journal to the ledger in the following manner:

1. What is the name of the first debit in the journal? Turn to the Cash account in the ledger.

2. What is the amount of the first debit in the journal? Place this amount on the debit side of the Cash account in the ledger.

3. What is the date of the first transaction in the journal? Enter this date in the proper columns on the debit side of the Cash account in the ledger.

4. What page of the journal is this transaction on? Place the number of the journal page in the narrow column just to the left of the amount on the debit side of the Cash account in the ledger.

5. What page of the ledger is this account on? Place the number of the ledger page in the narrow column just to the left of the word Cash in the journal.

Proceed with each of the debits in similar manner. When the debits are finished, begin with the first of the credits and post them according to the same routine.

Check your posting by going over all of the transactions in the journal and tracing them to the ledger to see if you have made any error or omission. When you discover an item to be correctly posted, place a very small pencil dot or check mark on the double line just to the left of the amount in both the journal and ledger.

Take a trial balance.

You should be able to answer the following questions:

What is journalizing?

What is the routine for posting?

When is posting usually done?

Apply each of the three following questions to each of the accounts in your ledger:

(a) What does the total debit show?

(b) What does the total credit show?

(c) What does the difference between the total debit and total credit show?

Present all of your work for inspection. Carefully preserve your work for this set. You will need it later.

## FORWARDING OF ACCOUNTS.

Whenever the space allotted to any account is within one or two lines of being filled on either the debit or credit side, it should be forwarded to a new page. To forward the account, rule single lines in the usual manner. Place the totals of the debits and credits in the space immediately below the single line, writing in the explanatory column the word "Forward," and in the page column the ledger page on which the new account is to be opened. The practice as to dating the forwarding entries varies; however, it would do no harm to use the date of forwarding. Rule the usual double lines below the footings. On the page to which the account is forwarded or on which the new account is opened, on the first line bring the totals of the debit and credit with the same date, writing in the explanation column "Brought forward," and in the page column the ledger page from which they are brought. The footings and details in the account being forwarded may be in red ink, while in the new account they appear in black ink. Bookkeepers do not, however, generally follow the practice of using red ink in forwarding accounts.

See illustration below.

<i>Merchandise</i>										<i>Page 31</i>	
19—						19—					
Nov. 3		34	217	80		Nov. 3		17		44	76
9		34	369	40		4		18		16	30
9		35	177	20		5		20		123	40
						7		20		8	2
						8		21		101	53
						9		22		93	
						10		23		116	80
* 10	Forward	76	766	20		10	Forward	76		577	26

<i>Merchandise</i>										<i>Page 76</i>	
19—						19—					
Nov. 10	Brought Forward	31	766	20		Nov. 10	Brought Forward	31		577	26
11		35	41	20		12		24		82	10
						13		25		76	

\* *Ruling in red ink.*

## X.—J. OSCAR DWIGHT.

Journalize the following transactions; be sure to make your work accurate and complete in all details; remember to ask yourself concerning each transaction, "What account receives or costs value?" and "What account produces or gives value?"

March 1. J. Oscar Dwight engages in the Flour and Grain business, at 516 Towne St., investing \$2500 in cash.

Paid Henry Le Sage one month's rent in advance, as per previous agreement, \$65.

Bought for cash 2000 bu. oats at 30 cts. per bu.

Bought of the W. Thyne Co., for cash, stationery, books, etc., for use in the business, \$18.65.

2. Bought of C. S. Huff & Co., on account, 300 bbls. flour at \$4.07 per bbl.; 500 bu. oats at 31 cts. per bu.

Bought of R. Miler, on account, 500 bu. rye at 50 cts.

3. Sold A. Williams & Co., on account, 450 bu. oats at 39 cts.; 100 bu. rye at 60 cts.

5. Paid C. S. Huff & Co., on account, \$600.

6. Bought of King & Hicks, on account, 1500 bu. corn at 35 cts.

7. Paid freight on corn bought of King & Hicks, \$12.45.

**Note:** Freight and drayage paid on merchandise which has been purchased, is usually considered as a part of the cost of the merchandise and therefore charged direct to the merchandise account.

Sold D. O. Sage & Co., on account, 500 bu. corn at 41 cts., 60 bbls. flour at \$4.55.

8. Sold K. E. Fitch & Co., on account, 250 bu. corn at 42 cts., 425 bu. oats at 37 cts.

9. Mr. Dwight (proprietor) has withdrawn from the business, for his private use, \$30 cash.

**Note:** Bookkeeping entries should always give the initials or given name of individuals.

10. Bought of King & Hicks, on account, 950 bu. corn at 35 cts. per bu.; 325 bu. rye at 53 cts.

Paid C. S. Huff & Co., to apply on account, \$150.

12. Sold to A. R. Land, on his note at 10 days, 56 bbls. flour at \$4.63.

The note referred to in this transaction is a written instrument, signed by Mr. Land, in which he promises to pay \$259.28 in ten days. Following illustration shows the form of the note:

\$259.<sup>28</sup>      Los Angeles, Cal., Mar. 12, 10  
Ten days after date I promise to pay  
to the order of J. Oscar Dwight  
at his office  
Two Hundred Fifty-nine <sup>28</sup>/<sub>100</sub> ~~Dollars~~  
*Value received with Interest at 6% per annum*  
No. 31 Due 3/22/      R. Land.

In business, written obligations to pay money at a future time are a higher form of value than oral promises. It is better to have a man's written promise than his spoken one. For this reason the bookkeeper must classify written obligations in such manner as to keep them separate from oral promises, which are entered in personal accounts. Written obligations, payable in money at a future time, when in favor of our business (that is, promising payment to us) are classified as Bills Receivable. When the obligations are made by our business (we promising to make the payment to others) they are classified as Bills Payable. The same questions and rules that you have been using in all of your transactions apply to Bills Receivable and Bills Payable. In the above sale to Mr. Land, what account receives or costs value? What account produces or supplies value?

13. Sold A. Williams & Co., on their note at 15 days, 125 bbls. flour at \$4.61.

14. D. O. Sage & Co., who owe us \$478 for invoice of the seventh, asks us to accept their note at 30 days in payment of the account. Mr. Dwight has agreed to do this.

**Note:** We now have their written promise or note instead of their oral promise as shown by their account. Think out carefully how this affects Bills Receivable and D. O. Sage & Co.'s accounts.

15. K. E. Fitch & Co. send us their note of \$100, due in 10 days, to apply on account.

16. Bought of C. S. Huff & Co., 150 bbls. flour at \$4.02, 480 bu. corn at 36 cts., on account.

17. Sold Fulton Judd, 420 bu. oats at 37 cts., 250 bu. corn at 41 cts., on his note at two months.

19. Bought of King & Hicks, on our note at 5 days, 250 bbls. flour at \$4.01, 450 bu. corn at 34 cts.

**Note:** We are here issuing our written promise to pay. How is this promise classified? Carefully apply your questions.

20. Bought of Fallis & Ware, on our note at 5 days, 500 bu. corn at 36 cts.

21. Sold W. A. Glass, 75 bbls. flour at \$4.65, 250 bu. corn at 39 cts., received in payment his note at 60 days.

22. Sold Jas. D. Southfield, 50 bbls. flour at \$4.66, 410 bu. corn at 39 cts., on account.

23. Bought of Willis A. Hicks, 500 bu. oats at 34 cts., 800 bu. corn at 34 cts., gave in payment our note at 45 days.

Sold D. Rose & Bro., on account, 65 bbls. flour at \$4.62.

Received of A. R. Land, in full for his note of the 12th inst., \$259.28 cash.

**Note:** You are now receiving cash for a written promise. Your answer to the question, "What account produces or supplies value?" must necessarily be Bills Receivable, as it is the written promise of another in favor of our business which is being paid.

24. Received of K. E. Fitch & Co., in payment of their note, due tomorrow, \$100.

Paid our note of the 19th inst. in favor of King & Hicks.

**Note:** What kind of an obligation are we paying? How is it classified?

Paid our note in favor of Fallis & Ware, dated March 20th.

26. Received of K. E. Fitch & Co., to apply on account, their note at 60 days for \$150.

Mr. Dwight has transferred W. A. Glass' note of the 21st inst., for \$446.25, to C. S. Huff & Co., to apply on account.

**Note:** Instead of holding this Bills Receivable until it is due, collecting it, and then paying our account in favor of Huff & Co., they have consented to take the note at its face value as part payment of the account. Apply your questions carefully.

27. Received of A. Williams & Co., in payment of their note of 13th inst., \$576.25.

Gave King & Hicks, to apply on account, our note of \$300, due in 10 days.



Paid freight and drayage bills to date, \$28.50.

28. Mr. Dwight has taken from the store, for his own use, 1 bbl. flour at \$4.01.

29. Bought of Henry Le Sage the store and lot we are now occupying. Gave in payment \$500 cash and a note, due in 2 years, for \$4500.

It is customary to carry investments in land and buildings in real estate accounts. In order to determine the income, expense, gain or loss, on each separate piece of real estate, it is necessary to have a separate account with each separate piece, so as to distinguish this property from other property that might be bought later, we will open this account as "Real Estate, 516 Towne St." The rules used for debiting or crediting real property accounts are the same as used for other accounts. Two things are given in this transaction (cash and note) to secure one thing (real estate), so our entry must show one debit and two credits and will appear in the journal in the following form:

Real Estate, 516 Towne St.	5000	
Cash		500
Bills Payable		4500

Entries having more than one debit or more than one credit are of frequent occurrence. Why is real estate debited? Why are cash and bills payable credited?

30. Received of A. Williams & Co., cash in full of account.

31. Paid clerk hire, \$28.

Present your journalizing for inspection.

## XI.

Take two sheets of ledger paper and number the pages. Open accounts in the following order, allowing  $\frac{1}{2}$  page for each account: J. Oscar Dwight, Proprietor; Cash, Merchandise, Expense. Bills Receivable, Bills Payable, C. S. Huff & Co., R. Miller, King & Hicks, A. Williams & Co., D. O. Sage & Co., K. E.

Fitch & Co., Jas. D. Southfield, D. Rose & Bro., Real Estate,  
516 Towne St.

Post the items from your journal.

Check your posting.

Foot your ledger accounts in small pencil figures.

Take a trial balance. Instead of putting the total debit and the total credit of each account both in the trial balance as heretofore, take the difference between the debit and credit of each account and place only this difference in the trial balance. To illustrate: Suppose the total debit of the cash account is \$526.73 and the total credit \$313.52, the difference then is \$213.21, which amount place in the debit column of the trial balance opposite the name of the account. Be careful to place the difference of each account on the debit side of the trial balance if the debit footing is the larger, on the credit side of the trial balance, if the credit footing is the larger.

You should now be able to answer the following questions concerning each of the accounts in your ledger:

(a) What does the total debit show?

(b) What does the total credit show?

(c) What does the difference between the total debit and the total credit show?

Present your work for inspection.

## XII.—FINANCIAL STATEMENTS.

You will now make a statement showing the resources and liabilities of the business. Anything of value which the business owns, controls and can dispose of, is a resource. Anything that the business owes, or is liable for, is a liability. Follow instructions carefully, step by step. Take one-half sheet of journal paper, write across the top, "Resources and Liabilities, Mar. 31, 19.....," and at the top of the left-hand money column "Resources," and the right-hand column "Liabilities." You have been applying to the ledger accounts the questions:

(a) What does the total debit show? (b) What does the

total credit show? (c) What does the difference between the total debit and credit show? Now add one more question. (d) Is the difference a resource or a liability?

Begin with the Cash account; write the page and name of the account on your statement the same as for a trial balance; determine by the above questions whether it shows a resource or a liability and place the amount in the proper column. (See illustrative statement, page 30.)

Mr. Dwight has gone over all of the property belonging to the business and carefully determined the amount on hand and its worth at the close of business March 31, to be as follows:

Merchandise.

1705 bu. Oats .....	.33	\$562.65	
725 bu. Rye .....	.50	362.50	
3020 bu. Corn .....	.35	1057.00	
208 bbls. Flour .....	4.02	836.16	\$2818.31

Real Estate.

Real Estate, 516 Towne St.	\$5000.00
----------------------------	-----------

A list of property on hand, like the above, is called an inventory.

In the Merchandise account, the debit shows the total purchases, the credit, the total sales, and the difference the excess of purchases over sales; but as merchandise is not sold at the same price for which it is bought, the worth of the stock on hand is not the same as the balance of the account. To get the worth of the merchandise on hand refer to the inventory above. Determine whether this inventory shows a resource or a liability and enter it accordingly on your statement.

The next account in your ledger, Expense, shows the cost of things used up in carrying on the business. As these things have been used up, they can not now be a resource, and as they were paid for during the month, they can not be a liability. Leave the account out of the statement, as it shows neither a resource nor a liability.

Bills Receivable is the next account in your ledger. Apply the questions (a, b, c, d,) and place the account on your statement in accordance with your answers.

Continue through your ledger applying the questions (a, b, c, d,) to each of the remaining accounts. If the accounts show resources or liabilities, place them on your statement, otherwise leave them out.

Foot in pencil the resource and liability columns of your statement. It is evident that the footing of the resource column shows all of the value owned or controlled by the business, while the footing of the liability column shows all that is owed by the business. The difference between the resources and liabilities is what the business is worth, or it is the proprietor's interest in the business and is called his present worth. Write on the first blank line of your statement, in red ink, "J. Oscar Dwight's Present Worth," and place the amount in the liability column. Rule and foot the statement in the same manner as a trial balance.

You will now make a statement of losses and gains. Accounts which have cost the business value and have not produced as much as they have cost, and will not in the future produce any more on this cost, show loss. Accounts which have produced more than they have cost, and will not in the future cost more on what they have already produced, show gain.

On one-half sheet of journal paper write the heading "Losses and Gains, Mar. 31, 19.....," and at the top of the left-hand money column "Losses," and the right-hand column "Gains." Those accounts in your ledger of which the entire difference shows either a resource or a liability can not, of course, show loss or gain. This leaves for the statement of losses and gains only such accounts as are not entirely used in the statement of resources and liabilities.

The debit of the merchandise account shows total purchases or cost. The credit side of the account shows total sales. The sales added to the inventory (goods on hand) shows what all of the merchandise has been worth to the business, this sum compared with the cost will show the gain or loss on the merchandise. Find the gain in the merchandise account on your statement in the same form as shown in illustrative statement.

Add to your ledger question "d" the words "loss or gain," and then apply all of the questions (a, b, c, d,) to the Expense account and enter it properly on your statement.

Since all the rest of the accounts, excepting the proprietor's, show nothing but resources and liabilities, you will now find the difference between the losses and gains. This difference is the net gain for the month, enter it on your statement in the same manner as shown on the illustrative statement.

Mr. Dwight invested \$2500 and withdrew \$34.01, which leaves his net credit \$2465.99. Add to his net credit, \$2465.99, the net gain for the month, \$69.30, and the sum in his present worth, \$2535.29. This present worth must agree with the present worth as shown on the statement of resources and liabilities. (See illustrative statement.)

You should now be able to answer the following questions:  
What is a resource? Liability?

In what two ways can the proprietor's present worth be found? What is an inventory?

Present your statements for inspection.

## Resources and Liabilities, May 31, 19-

	Resources	Liabilities
2 Cash balance on hand	3274.60	
3 Mdse inventory	2463.20	
4 Bills Rec. notes on hand	476	
4 " Pay " outstanding		2370
5 Real Estate inventory	2500	
5 J. C. Swaine owes us	2634.1	
6 C. O. Little " "	342	
6 Macon & Co. owe them		372.40
7 F. V. Harris & Co. " "	1319.21	1563.0
<i>D. S. Marsh's Present Worth</i>		<i>2257</i>
	9319.21	9319.21

## Losses and Gains, May 31, 19-

	Losses	Gains
3 Mdse. total sales	3264.50	
inventory	<u>2463.20</u>	
total worth	5727.70	
" cost	<u>4836.49</u>	
gain		891.21
3 Expense cost	47070	
<i>D. S. Marsh's Net Gain</i>	<i>2257</i>	
	891.21	891.21

## Proof of Statements, May 31, 19-

D. S. Marsh invested	6250
withdrew	<u>250.</u>
net investment	6000
net gain	42057
<i>present worth</i>	

### XIII.—FINANCIAL STATEMENTS FROM ACCOUNT BALANCES.

**Note to Teacher:** The instructions of this chapter apply to finding losses and gains when only the balances of accounts are known. It is better not to take them up until after those of the preceding chapter have been used many times.

The following outline shows some of the things that enter into the two sides of an account (a), how they are modified in the analysis of the account (b), and what the result shows (c).

#### ACCOUNT.

(a) Contents.	
<b>Cost:</b> Purchase price, Freight, Repairs, Improvements, Insurance, Taxes, etc.	<b>Production:</b> Sales, Earnings, etc.
(b) Modifications.	
<b>Liability Inventory:</b> Things that have been used but not yet charged, etc.	<b>Resource Inventory:</b> Goods on hand. Things earned but not yet credited, etc.

#### (c) Result.

If a debit balance, Loss.

| If a credit balance, Gain.

A debit balance shows that the cost of the account has exceeded the production by the amount of the balance. In case of property accounts, this might seem to mean that the debit balance represents the value of the property left on hand but, in fact, the present value of the property left on hand is shown by the inventory. Therefore, if the debit balance is greater than the inventory the account will show a loss; if it is less the account will show a gain.

A credit balance shows that the production of the account has exceeded the cost by the amount of the balance. In the case of property accounts, this would mean that the credit balance is a gain and if there is still some property on hand as shown by the inventory this would still further increase the gain by the amount of the inventory.

You should bear in mind that out of the cost of a property account comes the production (sales) and the inventory (value of unsold goods on hand).

In allowance accounts, such as interest, discount, etc., debit balances show excess of cost, credit balances excess of production. There may be inventories in these accounts which increase either the cost or production and affect the balance accordingly. Of course the final excess of cost indicates loss, while excess of production indicates gain.

In accounts showing indebtedness, such as Bills Receivable, Bills Payable, and personal accounts, a debit balance or excess of cost over production merely shows an indebtedness to us which will eventually be made up, therefore a resource. A credit balance shows just the reverse.

#### XIV.

You will now make financial statements for James D. Norton's business, Feb. 1 to 13. The inventory of merchandise on hand Feb. 13 is \$1610.40.

Read over carefully the instructions for the statement which you have just finished. They will apply equally well to this work although the amounts are different.

Present your work for inspection.

#### XV.

Make financial statements for A. J. Law's business, Feb. 15 to 27. The inventory of merchandise on hand Feb. 27 is \$905.80. Follow the same order as in the preceding statements.

Present your work for inspection.

#### XVI.

Make financial statements for M. H. Winters' business, Feb. 1 to 14. The merchandise on hand Feb. 14 is valued at \$3049.50. Rent and other items charged to Expense but not entirely used up are worth \$48.10.

Present your work for inspection.



# D. S. Marsh, Proprietor

19-			19-		
May 18	6	250	May 1	1	6250
31 Present Worth		6420.57	31 McKean	7	420.57
		6670.57			6670.57
			June 1 Present Worth		6420.57

## Cash

19-			19-		
May 1	1	6250	May 2	2	2346
16	4	54570	3	2	76430
			15	3	41020
			31 Balance		327460
		679570			679570
June 1 Balance		327460			

## Merchandise

19-			19-		
May 1	2	2346	May 16	4	54370
19	5	249049	17	5	217430
31 Cash	7	89121	23	8	54370
		592770	31 Inventory		246320
		246320			592770
June 1 Inventory		246320			

## Expense

19-			19-		
May 15	3	41020	May 31 Loss	7	47070
26	9	6050			47070
		47070			

## Loss & Gain

19-			19-		
May 31 Expense	3	47070	May 31 Indee.	3	89121
31 D. S. Marsh	1	420.57			89121
		89121			

## XVII.—LEDGER CLOSINGS.

You will now close the accounts which show either loss or gain. In making the closing entries in the ledger, write all items that are to be transferred to another place in RED ink. These items, after being transferred, are written in BLACK ink in their permanent positions. Items that are to be transferred and are entered in RED ink ALWAYS CROSS OVER to the opposite side of the ledger in the process of transfer and appear in BLACK ink.

You have in your posting work, placed in the ledger the number of the journal page from which an item is posted to show where it came from. Also, you have placed the ledger page in the journal to show where the item is posted to. Likewise, in closing the ledger, place in the red ink items that are to be transferred to another page, the ledger page to which transfer is made. In the black ink items, place the ledger page from which the item has been transferred. If the entries do not change pages, but are brought down on the same page, it is not necessary to use the ledger page number.

Begin with merchandise. The debit side shows all the merchandise bought. The credit side shows all of the merchandise sold. To close the account, the inventory is added to the credit side, thus showing the entire worth of merchandise to the business. Write on the first blank line of the credit side in red ink, "Mar. 31, Inventory \$2818.31." (See illustration, page 33.) Since the total debit is now smaller than the credit of the account, it shows a gain equal to the difference (as merchandise has been worth more to the business than it cost.) Write on the first blank line of the debit side, in red ink, "Mar. 31, Gain \$180.95." (See illustrative closing.) Now rule and foot the account. REMEMBER the ruling is in red and always on the same horizontal blue line, the single lines extend only across the money columns above the footings, the double lines extend across all except the explanation columns and are on the first blue line below the footings and the single line, the footings are in black ink. (See illustrative closing.)

A double entry ledger should always be in balance (total debits equal to the total credits.) You added the inventory to the credit without putting a like amount on the debit. By transferring the inventory to the debit side of the account, you will off-set its addition to the credit and at the same time show the amount of merchandise on hand at the beginning of the next day's business. Write on the first blank line below the closing, in black ink, on the debit side, "Apr. 1, Inventory 2818.31." REMEMBER all red ink entries made in your ledger must be transferred to the opposite side of the account in which made, or to the opposite side of some other account, before the closing of the account is complete and the ledger restored to a balance.

One of the objects in closing the ledger is to gather the losses and gains together. To do this, open a Loss and Gain account at some convenient place in your ledger. You have entered the gain on merchandise in the merchandise account on the debit side in red ink. Now transfer that amount to the credit side of the Loss and Gain account. Write on the credit side of the Loss and Gain account, in black ink, "Mar. 31, Merchandise 180.95." You write the word "merchandise" in the loss and gain account to show in what account the gain occurred, also place in the folio column the page of the ledger on which the merchandise account is found. Turn to your Merchandise account, and place the page of the Loss and Gain account in the folio column after the word "Gain" to show where the amount was transferred to. (See illustrative closing.)

You will now close the Expense account. Does this account show a gain or loss? Why? Write on the credit side, in red ink, "Mar. 31, Loss 111.65." Read again, under the instructions for closing the merchandise account, what you were told to remember concerning ruling. Rule and foot the account in the same manner as the merchandise account has been ruled and footed. Be sure to get your ruling on the same horizontal blue lines. Now transfer the loss to the Loss and Gain account. Write on the debit side of the Loss and Gain account, in black ink, "Mar. 31, Expense 111.65," and put in the page of

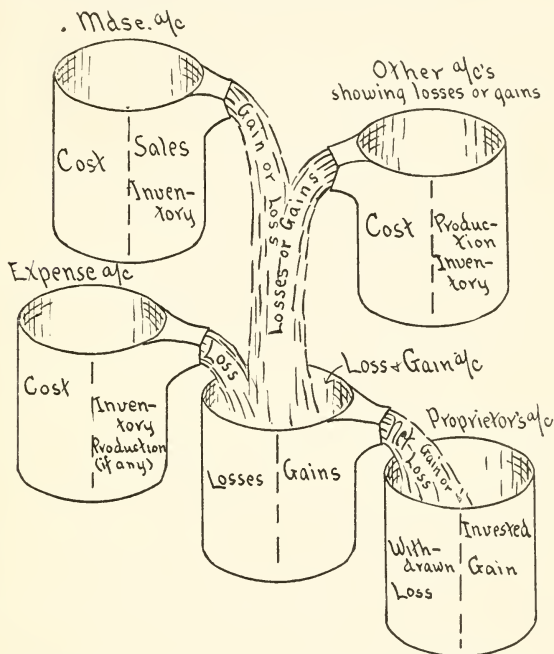
the Expense account; also put the page of the Loss and Gain account in the Expense account. (See illustrative closing.) Why is the word "Expense" written in the Loss and Gain account?

If you refer to your statement of losses and gains, you will see that you have closed all of the accounts which show either loss or gain into the Loss and Gain account. Now it is necessary to close the loss and gain account, so as to give the gain to the proprietor, to whom it belongs. Write on the debit side of the Loss and Gain account, in red ink, "Mar. 31, J. Oscar Dwight 69.30." Review your instructions for ruling. Rule and foot the account. Place in the folio column the page of the J. Oscar Dwight account, so as to show where the net gain has been carried. Write on the credit side of J. Oscar Dwight's account, in black ink, "Mar. 31, Net Gain 69.30," and the page of the Loss and Gain account. Write on the debit side of Dwight's account, in red ink, "Mar. 31, Present Worth, 2535.29." Rule and foot the account. Bring the Present Worth down on the credit side. Why? Write, in black ink, "April 1, Present Worth 2535.29." (See illustrative closing.)

This paragraph is important. The closing of the ledger must always follow the same routine as above. Collect the losses and gains from all accounts showing either loss or gain into the Loss and Gain account. Then carry the Net gain to the Proprietor's account. The ledger closing is separate and independent of the making of the financial statements although it shows the same results.

The following illustration is designed to show graphically this process. Think of an account as a receptacle containing the record of a certain kind of property. Then the receptacle containing the record of Merchandise, at the end of a certain period, will have in it the cost and sales. To close the account, we bring in the Inventory and draw off, as it were, from the receptacle the loss or gain into the Loss and Gain account. In the same manner, gather the losses and gains from other accounts, wherever any occur, into the Loss and Gain account. Of course, the difference between all of the losses and gains, as

shown in the Loss and Gain account, is the Net Loss or Net Gain. The Net Loss or Net Gain belongs to the proprietor's account, hence draw off the Net Loss or Net Gain from the Loss and Gain account into the Proprietor's account.



You will also close the Cash account. On the credit side, in red ink, write "Mar. 31, Balance 302.93." (See illustrative closing.) Rule and foot. Bring the balance down on the debit side, in black ink, as follows: "Apr. 1, Balance 302.93." This account is closed to show how much cash we have on hand at the end of the month.

The closing of personal accounts varies in business. Some concerns rule and foot personal accounts whenever they balance. Some close them only once a year when the books are

closed, thus showing by the closing the volume of business transacted with that particular person or firm. Others close them every month so that the sections of the account will correspond with the monthly statements. No matter which plan is followed, the work of closing is performed in the same manner. When closing personal accounts, do the work in the same manner as when closing the cash account. Follow your teacher's instructions whether or not to close the personal accounts.

REMEMBER concerning ledger closings that transfer entries are in red; transferred entries in black; and ledger page numbers are used to show from what page or to what page the items are transferred.

You should now be able to answer the following questions:

What color is used for closing entries?

What color is used for the transferred entries?

What accounts have been closed?

What does the difference between the two sides of the Loss and Gain account show?

Where is the net gain carried? Why?

How is the proprietor's account closed?

Where should the inventory of merchandise appear after the ledger is closed?

Present your work for inspection.

## XVIII.

You will now close the ledger for the business of which James D. Norton is the proprietor, Feb. 1 to 13. Use the ledger that you have already prepared for this set. The inventory of merchandise on hand, Feb. 13, is \$1610.40.

Read over carefully the instructions for the closing which you have just finished, if you have any difficulty. They will apply equally well to this work although the amounts are different. Present your work for inspection.

## XIX.

You will now close the ledger for the business of which A. J. Laws is the proprietor, Feb. 15 to 27. Use the ledger which you have already prepared for this business. The inventory of merchandise on hand, Feb. 27, is \$905.80. Follow the same order as indicated for the Dwight set. Present your work for inspection.

## XX.

You will now close the ledger for the business of which M. H. Winters is the proprietor, February 1 to 14. Use the ledger which you have already prepared for this business. The merchandise on hand is valued at \$3049.50. Rent and other items charged to Expense but not entirely used up are worth \$48.10.

Present your work for inspection.

## INTEREST AND DISCOUNT.

**Note:** This chapter is intended as an arithmetical drill in figuring interest by the 60-day or Bankers' Method and presupposes a working knowledge of common and decimal fractions.

The owner of money frequently allows others to use his money for a period of time receiving in return a certain compensation for its use. If the compensation for the use of the money is paid at the time the money is returned to the owner or the lender, it is usually spoken of as interest. If the compensation for the use of the money is deducted at a time before the money is returned to the owner or lender, it is generally spoken of as discount. The amount of compensation allowed for the use of money is generally estimated at a certain per cent. per annum. Thus if A loans B some money with the understanding that B will pay interest at 6% it means that B will give A 6/100 of the sum borrowed for the use of that sum for one year. If he retains the sum for a longer or shorter period than one year, he will pay a proportionate amount for its use.

What is the interest at 6% on:

1. \$54 for 1 year?
2. \$110 for 1 year?
3. \$54 for  $1\frac{1}{2}$  years?
4. \$54 for  $\frac{1}{2}$  year?
5. \$110 for  $\frac{1}{4}$  year?

### Interest for Multiples and Aliquot Parts of 6 and 60.

The year is commonly considered as 360 days for business purposes. 60 days is what part of a year? What is  $\frac{1}{6}$  of  $\frac{6}{100}$ ?

If  $\frac{6}{100}$  (6%) of the sum loaned is the interest for one year (360 days), the interest for 60 days ( $\frac{1}{6}$  of 1 year) is what part of the sum loaned?

How do you find  $\frac{1}{100}$  of any sum? The interest at 6% for 60 days is what part of the sum loaned? How can you find the interest on any sum of money for 60 days at 6%?

What is the interest at 6 per cent. on:

6. \$54 for 60 days? 120 days? 30 days? 12 days? 10 days?

7. \$110 for 60 days? 180 days? 20 days? 12 days? 15 days?

8. \$5267.50 for 60 days? 120 days? 10 days? 15 days? 12 days?

6 is what part of 360? What is  $\frac{1}{60}$  of  $\frac{6}{100}$ ? If  $\frac{6}{100}$  of the sum loaned is the interest for one year, the interest for 6 days is what part of the sum loaned? How many places are pointed off to find the interest for 6 days?

### Interest for Any Number of Days.

In the above problems you found the interest for 60 days by pointing off two places. To find the interest for the required number of days, you multiplied or divided. The number of days in each case being a multiple or aliquot part of 60, the operation was very simple. The operation in finding the interest for any number of days may be made equally simple by dividing the time up into aliquot parts or multiples of 6 or 60.

Example: Find the interest on \$235 for 44 days at 6%.

44 days =  $7 \times 6$  days plus 2 days.

.235 = interest for 6 days.

7

1.645 = interest for 42 days ( $7 \times 6$  days).

.078 = interest for 2 days ( $\frac{1}{3}$  of 6 days).

1.723 = interest for 44 days (42 days plus 2 days).

Divide the following periods of time into multiples or aliquot parts of 6 or 60:

9. 13 days, 23 days, 16 days, 43 days, 57 days.

10. 7 days, 14 days, 27 days, 49 days, 93 days.

11. 68 days, 55 days, 23 days, 17 days, 108 days.

Find the interest at 6% on:

12. \$272.50 for 13 days, 23 days, 16 days, 43 days, 57 days.

13. \$316 for 7 days, 14 days, 49 days, 27 days, 93 days.

14. \$2408.36 for 68 days, 55 days, 23 days, 17 days, 108 days.

### Time.

When negotiable paper reads a certain number of years or months, the time is computed by calendar years or months. Example: A note dated Jan. 12, at three months, is due April 12. When negotiable paper reads a certain number of days, the exact number of days are counted.

Find the date when the note is due, and the time (stated in days) for the payment of interest, on the following:



15. Note dated Jan. 3, at 3 mos., paid Mar. 20.
16. Note dated July 16, on demand, paid Sept. 4.
17. Note dated May 7, at 60 days, paid July 10.
18. Note dated Feb. 6, 1907, at 1 year, paid Feb. 6, 1908.
19. Note dated Aug. 20, at 90 days, paid Dec. 4.
20. Note dated Feb. 28, at 6 mos., paid June 20.
21. Note dated Oct. 1, at 60 days, paid Jan. 3.
22. Note dated Dec. 12, at 90 days, paid Mar. 1.
23. Note dated Sept. 10, at 3 mos., paid Dec. 10.
24. Note dated Mar. 4, at 10 days, paid Mar. 31.
25. Note dated Nov. 24, at 6 mos., paid Apr. 2.
26. Note dated May 30, at 30 days, paid June 29.
27. Note dated Aug. 20, at 1 mo., paid Sept. 30.
28. Note dated Jan. 13, at 60 days, paid Mar. 6.
29. Note dated Feb. 1, at 90 days, paid May 10.

Find the interest on:

30. A note for \$500, dated Jan. 3, at 3 mos., paid Mar. 20, at 6%.

31. A note for \$315.50, dated July 16, on demand, paid Sept. 4, at 6%.

32. A note for \$425, dated May 7, at 60 days, paid July 10, at 7%.

(Add  $\frac{1}{6}$  of interest at 6%. Why?)

33. A note for \$150, dated Feb. 6, 1907, at 1 year, paid Feb. 6, 1908, at 5%. (How do you find the interest at 5% after you have found it at 6%? Why?)

34. A note for \$2500, dated Aug. 20, at 90 days, paid Dec. 4, at  $4\frac{1}{2}\%$ .

### Discount.

Los Angeles, Cal., Mar. 3, 1907.

Three months after date I promise to pay to

Silas Warner, or order.....	\$200.00
Two Hundred no/100.....	Dollars
for value received.	

JOHN DOE.

When is the above note due?

Silas Warner holds the above note until April 2 at which time he discounts it at the bank. The bank will advance him money on this note. Silas Warner will thus be using the bank's money from April 2 until the note is due, at which time the bank will receive \$200 from John Doe. This being the case, the bank should receive pay for the use of its money from April 2 until the note is due from Silas Warner. This is done by computing interest on the note for the length of time it still has to run and deducting this from \$200, the bank paying Silas Warner the proceeds. This deduction is called discount.

If the rate is 7%, how much will Silas Warner receive on the above note? (It is customary in banking to deduct discount for the exact number of days.)

What are the proceeds of the following discounts:

	Face	Date of Note	Time	Date of Discount	Rate
35.	\$300	Feb. 12	30 days	Mar. 1	6%
36.	\$435	Sept. 10	45 days	Oct. 7	7%
37.	\$210	Dec. 21	3 mos.	Jan. 17	6%
38.	\$750	May 30	10 days	June 2	6%
39.	\$250	July 15	1 mo.	July 25	7%

**Discount on Interest-Bearing Paper—Eastern and Western Practice.**

In the above note made by John Doe, there is no promise to pay interest. If there were included in the note a promise to pay interest, the note would be worth more than \$200 when it comes due, and the bank would receive, when it is paid, \$200 plus the interest, thus as the bank receives more than \$200 it should give Silas Warner proportionately larger proceeds. This being the case, in eastern states, the discount on interest-bearing notes is figured on the face plus the interest.

In most parts of California and some other western states, banks in purchasing interest-bearing paper allow the owner the face plus the interest accrued to date of purchase. By this plan the banks receive the interest from the date of purchase to the date of maturity. As the western practice for discounting interest-bearing paper involves only the figuring of interest from the date of the paper to date of discount, no new processes are involved. However, as the eastern practice figures discount on the face plus the interest for the full time, the following solution and problems are given for practice.

Suppose the above note bears interest at 6%, then:

\$2.00=Interest for 2 mos. at 6%.

1.00=Interest for 1 mo. at 6%.

---

\$3.00=Interest for 3 mos. at 6%.

\$200.00

3.00

---

\$203.00=What note is worth when due.

\$2.03 =Interest for 60 days at 6%.

.067=Interest for 2 days at 6%.

---

\$2.097=Interest for 62 days at 6%.

.349=Interest for 62 days at 1%.

---

\$2.446=Interest for 62 days at 7%.

\$203.00

2.446=Discount for 62 days at 7%.

---

\$200.554=Proceeds due Silas Warner.

Find the proceeds in the following problems:

	Face	Date of Note	Time	Rate of Int.	Date Dis.	Rate Dis.
40.	\$375	Feb. 28, '07	3 mos.	6%	April 2	7%
41.	\$1250	Dec. 12, '07	30 days	7%	Dec. 27	7%
42.	\$125	July 6, '07	10 days	6%	July 7	7%
43.	\$2000	Sept. 20, '06	6 mos.	6%	Jan. 23, '07	6%
44.	\$1850	Mar. 1, '07	60 days	5%	Mar. 29, '07	6%

Leaving out the interest, find the proceeds in each of the last five problems.

## PART II.

Part II may be used at this point or it may be postponed until the Hardware Business is completed.

### HARDWARE BUSINESS.

April 1. R. C. Cowan has purchased the hardware business formerly conducted by M. L. Sprague & Co., at Eighth and Santee streets. A careful inventory of the stock and equipment shows the following facts: Merchandise on hand \$3210.15, furniture and fixtures \$706, horses and wagons \$525, and unused wrapping paper, twine, etc., \$36.50. Mr. Cowan also places \$500 cash in the business. Using journal and ledger, open books for the business. (Charge in the journal the proper accounts for the property listed above and credit the proper account for its production. Think out carefully your reasons for these debits and credits.)

Mr. Cowan has engaged the following help: Student as bookkeeper at \$12 per week; Charles Springer as clerk at \$7 per week and 2% commission on his sales, and Marion Salter to drive the wagon and take care of the horses at \$10 per week. (So far, no value has been received or given by the business, no work performed or wages paid, hence no accounts are involved. A memorandum of such agreements should, however, be written in the journal.)

2. Paid C. O. Marvin \$100 for rent of store for month of April.

Bought of Eagle Feed and Fuel Co. an invoice of hay and grain for horse feed, \$16.25, on account. (This being material that is used up in the business it may be classified as Expense. Some prefer to charge such items to the horse and wagon account so that this account will show the entire amount expended upon horses and wagons. In large concerns it is not unusual to have a separate account with feed, repairs, shoeing, etc.

You may charge the above and all such items to Horse and Wagon account.)

Paid Seeley & Patton for rent of barn for April, \$12.

Cash sales for the day as shown by the cash register, \$25.50.

3. Bought of the Moon Hardware Co., Inc., an invoice of hardware amounting to \$136.40, on account.

Sold V. E. Craig, 246 W. Fortieth St., on account, 1 O. K. Washer, \$7.95; 1 Acme Wringer, \$2.35; 10 doz. Clothes Pins at 6 cts. (Be sure and note all customers' addresses in the explanatory column of the journal so that the addresses may be placed in the ledger when accounts are opened. Each item of merchandise should occupy a separate line in the explanation.)

Sales per cash register for day, \$37.80.

4. Sold the Acme Building Co., 410 Stevens Block, on account, Frost Job, 20 lbs. 60d Nails at 3 cts.; 25 lbs. 20d Nails at 3 cts.; 1 keg 10d Nails, \$2.20; 15 lbs. 8d Nails at  $3\frac{1}{2}$  cts.; 1 keg 8d Finishing Nails, \$2.50; 50 lbs. 6d Finishing Nails at  $3\frac{1}{2}$  cts. (It is customary for builders and contractors to order goods delivered at certain jobs, designating the job by the owner's name or street location. For example, Smith Job, Eighth St. Job, etc. For convenience, carry these job names into the explanation columns of the ledger when posting. This plan makes it possible to indicate on monthly statements the job names, thus aiding the customer in checking up and keeping track of the different jobs. Also, some customers pay their bills according to the jobs, rather than paying their account as a whole.)

Bought of Lang & Keys Co., on our note at 30 days, with interest at 6%, an invoice of merchandise amounting to \$342. (What account costs value? What account supplies value? No entry is made for interest until the time of payment. However, the agreement to pay interest should always be noted in the explanation of the entry.)

Cash sales for day, \$22.40.

5. Sold V. E. Craig, on account, 1 set Sadirons, \$1.25; 1 Folding Ironing Board, \$2.10; 1 No. 3 Universal Meat Chopper, \$4.50.

Sold M. A. Ellsworth, 1234 W. 20th St., 1 Jewel Gas Range, \$32.50. Received his 10-day note, without interest, for same. Cash sales for day, \$31.10.

6. Sold Wm. Erickson, 1310 S. Flower St., for his note at 60 days, with interest at 7%, 1 Garland Range No. 9, \$41.25; 1 Wonder Washer, \$8; 1 set Sadirons, \$1.45; 2 No. 3 Galvanized Iron Tubs at 75 cts.; 3 Granite Stew Pans, 6 qt., at 49 cts.

Sold Fry & Fellows Co., 310 W. Ave. 63, on account, Smithwick Job, Cor. Mission & Ave. 52, 1 doz. Butts, 3 in. No. 7226, at \$1.25 per doz.; 2 doz. No. 687 Sash Lifts at 47 cts.; 6 Champion Mortise Door Locks No. 728, at \$1.43; 1 doz. Elbow Catch No. 62, 25 cts.; 1 doz. No. 739 Drawer Pulls, 30 cts.; 4 doz. No. 777 Sash Pulleys at \$1.15; 1 Special Front Door Lock and Trim, \$15.60.

Paid telephone rent for month of April, \$5.50.

Cash sales for day, \$42.05.

Paid the help as per agreement of the first. Mr. Springer's commission for week, \$4.15.

Present your work for inspection.

Post, allowing one page each for Merchandise and Cash, one-half page for Expense and one-third page each for other accounts, Do not forget to place addresses in ledger, also journal pages in the ledger and vice versa.

Have your work inspected.

8. Paid for stationery, \$2.50.

Bought postage stamps, \$1.00.

Bought of Welch & Sutton, Pittsburg, an invoice of hardware amounting to \$675.00, on account.

Sold J. C. Farnum, 1462 Santee St., on account, 50 ft. Garden Hose at 21 cts.; 1 Spade, \$1.10; 1 Hoe 75 cts.; 1 Rake, 90 cts.

9. Sold the Acme Building Co., Sturdevant Job, 2 kegs 20d Nails at \$2.15; 3 kegs 10d Nails at \$2.20; 1 keg 6d Finishing Nails at \$2.60; 2 kegs 8d Finishing Nails at \$2.50. Frost Job, 2 gro. 1½ in. Flat Head Bright Screws at 22 cts.; 1 keg 2d Lath Nails, \$3.15. (To keep track of the jobs, enter each job sepa-

rately to the debit of the Acme Bldg. Co., crediting merchandise for the total.)

Paid for having horses shod, \$2.50.

Paid for lettering of sign on windows of store, \$4.25.

Cash sales for day, \$33.75.

10. Received of V. E. Craig cash in full of account.

Sold J. C. Farnum, 1462 Santee St., on account, 150 ft. of 4 ft. Poultry Netting, \$2.80; 1 lb. Staples, 5 cts.

Cash sales for day, \$39.70.

11. Sold M. L. Harwood, 874 Santee St., on account, 1 Dalton, 20 in., Upright Drill, \$87.50.

Paid Moon Hardware Co., Inc., in full for invoice of the 3d inst.

Cash sales for day, \$37.16.

12. Received of Fry & Fellows Co. their note at 10 days in full for sale of the 6th.

Received of J. C. Farnum, \$5 on account.

Cash sales for day, \$43.90.

13. Sold V. E. Craig, 246 W. 40 St., on account, 1 Hoe, 75 cts.; 1 Rake, 90 cts.; 25 ft.  $\frac{3}{4}$  in. Excelsior Hose at 18 cts.

Cash sales for day, \$46.30.

Paid help for week. Mr. Springer's commission, \$5.36.

Mr. Cowan has made arrangements with Mr. M. A. Morse to hereafter carry on the business as a partnership. A complete line of agricultural implements will be added to the present stock. Mr. Morse is to invest an amount of cash equal to Mr. Cowan's present worth. The firm will be known as the Morse-Cowan Hardware Co.

Present your journalizing for inspection.

Post and take a trial balance.

Have your work inspected.

15. In order to ascertain the amount of Mr. Morse's investment it is necessary to make out financial statements of the business. Mr. Cowan and Mr. Morse have agreed upon the following inventories: Merchandise on hand, \$3910.40; Fur. & Fix., \$692.30; Horse & Wagon, \$546.20; Rent unused, \$50; Telephone unused part of month, \$2.75.

Make out financial statements and present them for inspection.

Close your ledger and present for inspection.

Received of Mr. Morse the amount of his investment in cash. (To show at all times the investment each partner has in the business, it is necessary to keep a separate account with each.)

Paid for night letter ordering a carload of implements, \$2.10.

Received cash of M. A. Ellsworth in full for his note of the 5th inst.

Cash sales for day, \$49.60.

16. Sold M. L. Harwood, 874 Santee St., 1 Reliance Gas Engine No. 36, \$185. Received in payment his note at 60 days with interest at 6%.

Paid our note of the 4th inst., in favor of Lang & Keys Co., and interest to date. (Two things are paid in this transaction, Bills Payable and Interest. Two accounts cost value, hence we must have two debit items in the entry. Only one account supplies value. Remember that Bills Receivable and Bills Payable are always entered at their face value.)

Cash sales for day, \$50.70.

17. Sold V. E. Craig, on account, 1 Penn. Lawn Mower, \$9.25.

Received of Lang & Keys Co. an invoice of implements and machinery amounting to \$3454. Gave in payment our note at 60 days, with interest at 6%, for \$2000, cash for balance.

Cash sales, \$54.05.

18. Paid cash for an invoice of machinery amounting to \$3785.10.

Discounted at 7% Wm. Erickson's note of the 6th inst., receiving cash for the proceeds. (In this transaction, what two accounts supply value? What two accounts cost value?)

Cash sales, \$69.30.

19. Paid for having new sign placed on windows, \$5.60.

Paid for new desk for Mr. Morse, \$80.

Paid Eagle Fuel & Feed Co. in full of account.

Paid for new stationery, \$6.25.

Cash sales, \$48.90.

Sold Hanson & Gross, Fairfield, 1 Independent Threshing Outfit, \$2280. Received in payment, cash \$500, and their note at 90 days with interest at 6% for the balance.

20. Paid wages for week. Mr. Springer's commission, \$9.23.

Cash sales, \$74.75.

Present your journal for inspection.

Post.

22. Bought of Eagle Fuel & Feed Co., on account, an invoice of hay and grain, \$18.90.

Received cash of Acme Building Co. in full for items delivered on Frost Job.

Sold Fry & Fellows, 310 W. Ave 63, 50 lbs.  $\frac{3}{4}$  in. Rope at 18 cts.; 2 Pulleys, 6 in., and Hangers, \$3.10.

Cash sales, \$64.95.

23. Paid for repairs on wagon, \$12.25.

Received cash of Fry & Fellows Co. in full for their note of the 12th.

Discounted at bank at 7% M. L. Harwood's note of the 16th instant, receiving cash for the proceeds.

Mr. Morse has taken from the stock for his own use 1 Penn. Lawn Mower, \$9.15, and has also withdrawn for his own use \$320 in cash.

Cash sales, \$69.17.

24. Sold Hanson & Gross, Fairfield, 1 Truck, 3-ton Reliance. Received in payment their 30-day note for \$225.

Rented store room next door for one year from May 1st at \$125 per month. Gave our 10-day note to C. O. Marvin for May rent.

Gave A. L. Glick our note at 60 days, with interest at 7%, for bracing floors and cutting arches through to new store room, \$210.50.

Cash sales, \$103.75.

25. Mr. Cowan was killed in a railway accident this morning. The death of a partner causes the dissolution of a partnership, hence the store is closed and business discontinued for the present. In order to make the proper adjustment, it



will be necessary to make financial statements and close the books. Present your journal for inspection.

Post, take a trial balance and present your work for inspection.

29. H. L. Keith and C. O. Sprague, who have been authorized to represent Mr. Cowan's heirs, and Mr. Morse have agreed upon the following inventories: Merchandise, \$8316.20. Furniture & Fixtures, \$748.50. Horse and Wagon, \$550. Feed on hand, \$9.10. Unused rent on new store room, \$125. Repairs on new store room, \$200. Interest accrued on Bills Payable and Bills Receivable to be determined by the bookkeeper. Wages due help for week, \$34.90. Unused stationery, wrapping paper, twine, etc., \$8.95.

Figure carefully the interest on each interest-bearing note from the time it is drawn to the present date. Use the difference between the interest owed by the business and that owed to the business as your inventory in interest account. Make financial statements and submit them for inspection.

Close the ledger and present your work for inspection.

## PART II.

If not used preceding the Hardware Business, the pupil should secure Part II at this point and thoroughly master it before taking up the next chapter. The Cash Book in the following chapter should be mastered after Part II and before taking up Part III.

## THE CASH BOOK.

Thus far in your bookkeeping work, when cash was received, you have made a journal entry debiting cash and crediting some other account. When cash was paid out, you have credited cash and debited some other account in the journal. When these items were all posted, all cash received appeared on the debit side of the cash account, and all cash paid out ap-

19		20	
May 1	J. M. Doane	invested	2000
2	Index	sold to V. C. Sisson	3640
2	"	R. J. Smith	4230
3	Bills Rec.	Brucet Co's note of 4/3/-	250
3	Index.	petty cash sales	1920
5	O. O. Jones	to apply on acct	4860
			239650
			239650
8	Balance		206630

peared on the credit side of the cash account. The difference between the total debits and the total credits showed the cash on hand. To increase the debit of the account increases the cash on hand. To increase the credit side of the account decreases the cash on hand.

You will keep a cash book instead of a cash account in the ledger in the following transactions. The cash book is your cash account. Take a sheet of journal paper and rule it as shown in the illustrative cash book. Be sure to have two columns at the left of each page, one for the date and one for the ledger pages. Write the word "Cash" at the top of each page. On the left-hand page, or debit side, enter all cash debits or cash received. When cash is received and debited, some account which produces the cash is credited. Write the name of the account to be credited in the wide column of the left-hand page, on the same line with the amount and date, and follow the account name, on the same line, with a brief explanation of the transaction. On the right-hand page, or credit side, enter all cash credits or cash paid out. When cash is paid out and credited, write the name of the account to be debited in the wide column of the right-hand page, on the same line with the amount and date, and follow it with a brief explanation of the transaction. By this plan of entering trans-



3. Deposited cash in The Second National Bank, \$1100.

This money does not leave the business. Merely the place of keeping it, as a matter of convenience and safety, is changed. No entry is required.

Sold merchandise for cash, \$18.35.

Received of J. M. Snell \$38.70 in cash for Mdse.

Bought for cash an invoice of Mdse., dated May 2, amounting to \$317.20.

4. Received cash for Mdse. sales, \$78.64.

Paid clerks' salaries for week, \$18.75.

Bought for cash a horse, wagon and harness for use in delivering Mdse., \$475. (Debit horse and wagon account.)

Received for invoice of Mdse. sold to Charles Brokaw, \$86.90 in cash.

Received for cash sales of Mdse., \$88.25.

Foot the debit and credit sides of your cash book in pencil and find the balance of cash on hand. Refer to the illustrative cash book and close your cash book in like manner. Caution: Be sure to get your ruling on the same horizontal, blue line of both pages, and correct in other details.

Present your work to your teacher for inspection.

May 6. Mr. Lang makes an additional investment of \$100 in cash.

Received of James Marsh for Mdse., \$38.65.

Bought of Upton & Walsh an invoice of Mdse. amounting to \$345, and paid for same by check on The Second National Bank.

7. Mr. Lang decides to largely increase his stock of Mdse. and in order to do so he will need more ready cash. He has arranged with The Second National Bank for a loan of \$1000. This amount has been placed to the credit of his account at the bank and he has given his thirty-day note, bearing interest at 7%, for the same. (No entry is made for interest until it is actually paid or received.)

Received for sundry cash sales during the day, \$94.52.

Mr. Lang has placed an order with the Kuhn-Snyder Co.,

of San Francisco, for \$950 worth of Mdse. This Mdse. is to be shipped at once and will probably be received in about a week. (The entry for this purchase will be made when the goods are received. No entry is necessary in placing an order.)

8. Mr. Marsh returns a part of the Mdse. sold him on the sixth as it is not satisfactory. We refund \$12.17 for the same.

Paid for advertisement in the Evening News, \$24.

Sold Mdse. amounting to \$76.55 for cash.

9. Received for sundry cash sales of Mdse., \$94.43.

10. Bought for cash, of R. C. Boynton, Mdse. amounting to \$31.50.

Cash sales, \$87.24.

10. Mr. Lang has decided that it would be advantageous to allow credit to certain customers. From this time on, sales on account will be entered in the Journal. All and only such entries as affect the cash account are placed in the cash book.

Sold W. J. Amos Mdse., on account, amounting to \$22.75.

Sold Mrs. Herbert Sidney, on account, Mdse. amounting to \$125.

Bought of Upton & Walsh, on account, Mdse. \$125.

11. Bought of the Keystone Produce Co., on account, an invoice of vegetables amounting to \$102.

Sold J. C. Donovan Mdse. amounting to \$50, receiving in payment his five-day note, without interest.

Traded horse and wagon with C. E. Stoner, receiving as a bonus his 10-day note, in our favor, for \$125, bearing interest at 6%. Think this entry out carefully. What account supplied value? What accounts cost or receive value? Make your entry show these facts.

Sold Wallace & Son, for cash, Mdse. amounting to \$125.60.

Cash sales for day, \$101.73.

Paid clerks' salaries for week, \$27.50.

Paid stable bill for the keeping of the horse and wagon for week, \$5.25.

Mr. Lang withdrew \$15 in cash for private use.

Close your cash book in the same manner as on the 4th and present your work for inspection.

In the entries you have been making, when cash was debited, you wrote the name of the account to be credited on the left-hand side of the cash book on the same line with the amount, date, etc. Your posting to the Cash account is already done as the Cash Book is your Cash account. It is now necessary, in order to complete the other accounts, to open in the ledger such accounts as are named in the explanation columns of the Cash book. CREDIT the accounts named on the left-hand side of the Cash Book. As cash account is already debited, posting to the credit of these accounts will give the balancing entries. In like manner, post to the debit side of the accounts named on the right-hand side of the Cash Book. As Cash account is already credited this will complete the balancing entries for these transactions. Do not forget to place ledger pages in the cash book and vice versa.

Take a trial balance after the posting is completed. Remember your Cash Book is your Cash account, and as it is necessary to include all accounts that do not balance in your trial balance, it is necessary to include the balance of the Cash Book whenever taking a trial balance.

May 13. Received cash of W. J. Amos to apply on account, \$12.

Part of the Mdse. bought of R. C. Boynton on the tenth is unsalable. We return the damaged portion and receive a cash refund of \$6.25.

Received of Mrs. Herbert Sidney, cash to apply on account, \$15.

Sundry cash sales for day, \$72.54.

14. Paid Upton & Walsh cash to apply on account, \$50.

Paid the Keystone Produce Co., to apply on account, \$75.

Bought of C. A. Springer one load of potatoes, paying for same in cash, \$32.50.

Cash sales for day, \$93.51.

15. The merchandise, ordered of the Kuhn-Snyder Co. on the seventh amounting to \$950, has been received and checked. (When buying, no entry is made until the merchandise is ac-

tually received and checked up. Treat this transaction as a purchase on account for the full amount.)

Mr. Lang has drawn a check on The Second National Bank for \$501.25, with which he will purchase a draft of \$500, paying \$1.25 exchange, and remit the draft to the Kuhn-Snyder Co. to apply on account. (The cost of making this remittance, or the exchange on the draft, is a part of the expense of carrying on the business. Treat the remittance as a payment on account.)

Mr. Lang has loaned Jas. Marsh, on his promissory note, \$100, date of note May 15, due 30 days after date, without interest.

Mr. Lang has taken the above note to The Second National Bank and had it discounted at 7%, the proceeds placed to his credit. (Two entries are necessary, one for loaning the money and the other for discounting the note.)

Cash sales for day, \$106.34.

16. Mr. Lang withdrew cash for private use, \$25.

J. C. Donovan pays his note of the 11th inst., in our favor, face of note \$50.

Cash sales, \$99.65.

17. Paid for having horse shod, \$2.

Paid Walter Jenks for Mdse., \$15.35.

Sundry cash sales, \$104.35.

18. Paid stable bill for week, \$5.25.

Cash sales, \$114.70.

Paid clerks' salaries for week, \$27.50.

Close your cash book and present your work for inspection.

May 20. Mr. Lang loans W. J. Amos, a customer, \$5 on account for a few days.

Remitted the Kuhn-Snyder Co. a San Francisco bank draft of \$450, to apply on account. Exchange on draft, \$1.25.

Cash sales, \$69.30.

21. As we now have sufficient cash on hand, Mr. Lang has paid his note of the seventh in favor of The Second National Bank, with interest for the time it has run. (Make two entries, one for the note, the other for the interest.)

Received of Mrs. Herbert Sidney, to apply on account, \$12.50.

Paid Upton & Walsh, on account, \$50.

Cash sales for day, \$84.96.

22. Mr. Lang has discovered that one dollar of the money received yesterday is a counterfeit. (Charge to Loss and Gain.)

Mr. Lang withdrew for private use, \$10.

Cash sales, \$17.29.

23. Received cash of C. E. Stoner for his note, in our favor, due today, face of note \$125, interest on same, 25 cts.

Received cash of Mrs. Herbert Sidney in full of account.

Paid the balance due the Keystone Produce Co. on account.

Cash sales for day, \$92.10.

24. Loaned Milton Brown on his 90-day note, with interest at 6%, \$50.

Mr. Lang discounts the above note at The Second National Bank at 7%, receiving credit for the proceeds.

25. Paid the following expenses for the week: Stable bill, \$5.25; salaries, \$27.50.

Cash sales, \$111.16.

Close your cash book and present your work for inspection.

Read again the explanation of the posting given under May 11. Post your work and take a trial balance. The inventories are as follows: Merchandise \$850, Furniture and Fixtures \$200, Horses and Wagon \$275. Make out financial statements and close the ledger.

Present your work for inspection.

### PART III.

The pupil is ready to take up the work of Part III at this point. Commission and the six reviews may be used at any time the teacher deems best. They are supplied for additional drill and may be entirely omitted.

### COMMISSION.

Certain localities or communities generally produce some few staple articles of commerce in such abundance as to make it impossible to use all of the supply in that immediate vicinity. Thus a locality will grow more wheat than it can use; another



locality will produce more butter than it needs; another more fruit, etc. Supplies of all kinds are generally in demand in the cities, so we find in the cities men and firms who make a business of finding buyers for the men who have any surplus produce, provisions, live stock, etc., to dispose of; for this service these men or firms generally charge a certain per cent. of the gross selling price, and this charge is called commission, while those engaged in this work are said to be in the commission business. Men or firms in the commission business usually maintain offices and warehouses or stores at which they receive the commodities that they sell for others. Commodities thus received to be sold for the owners are known as consignments.

As the commission merchant must make returns to the owner for each consignment received, he opens a separate account for each consignment received, numbering it, and to aid in distinguishing the consignments from each other, generally adds the name of the consignor as a part of the account title. Example: Consignment No. 12, Chas. Howe. Remember these consignment accounts are entirely separate from any personal account you may have with the same party. Debit each separate consignment account for all costs (freight, drayage, insurance, commission, net proceeds, etc.) Net proceeds is the amount due the owner after all charges have been deducted. Credit each separate consignment account for all it produces (receipts from sale of the consignment).

It is a common practice for commission men to buy commodities and ship them to other localities to be sold for them on commission. Merchandise shipped by the owner to another to be sold on commission is known to the owner as a shipment.

When property is shipped to be sold on commission, a separate account with each shipment is opened on the books of the owner to represent the separate lots of property that have gone out of his possession but not his ownership. Of course, the owner wants to know whether he is losing or gaining on each shipment and how much, so it is necessary to have a separate account with each shipment made. To help distinguish

the shipments, generally the name of the party to whom shipped and the number of the shipment are added to the account title. Example: Shipment No. 5, W. E. Smith & Co. Remember that these shipment accounts are entirely separate from any personal account which you may have with the same parties. Debit each separate shipment account for all costs (the value of the property shipped—usually the cost price—and all expenses incurred in making the shipment). Credit each separate shipment account for what it produces (net proceeds).

Journalize the following transactions:

June 1. Student (as proprietor) commenced the shipping and commission business and invested \$4250 cash.

Bought for cash, 100 tubs butter, 5000 lbs., at  $24\frac{1}{2}$  cts.; 100 crates eggs, 3000 doz., at 27 cts.; 50 boxes cheese, 3000 lbs., at 17 cts.

4. Shipped to Dayton & Cole, San Francisco, to be sold on my account and risk, 50 tubs butter, 2500 lbs., invoiced at  $24\frac{1}{2}$  cts. Paid cartage on same in cash, \$2.50. (What account is opened? Why? Review the explanation of shipment accounts.)

6. Shipped to the Woodlawn Com. Co., Oakland, to be sold on my account and risk, 50 crates eggs, 1500 doz., invoiced at 27 cts. Paid cartage in cash, \$3.

9. Received from Mann & Co., Redlands, to be sold on their account and risk, 20 boxes naval oranges. Paid freight and cartage in cash, \$5.25. (What account is opened? Why? Review explanation of consignment accounts.)

11. Received from Tracey & Sons, Riverside, to be sold on their account and risk, 40 boxes lemons. Paid freight and cartage in cash, \$10.50.

12. Received from Dayton & Cole, an account sales of the butter shipped them on the 4th inst. My net proceeds remitted in cash, \$695.25. (What account is debited? Credited? Why? What does the difference between the two sides of the "Shipment No. 1, Dayton & Cole" account show? Why?)

13. Sold, for cash, 20 boxes naval oranges, belonging to Mann & Co.'s Consignment No. 1, at \$2.75. (What account is debited? Credited? Why?)

Closed Mann & Co.'s Consignment No. 1 and rendered them an account sales. Storage charges, \$1; commission 10% on sales; Mann & Co.'s net proceeds remitted in cash. (What does the debit side of the account with Mann & Co.'s Consignment No. 1 show? Credit?)

16. Received from J. J. George, San Diego, to be sold on his account and risk, 100 bunches bananas. Paid freight and cartage in cash, \$7.50.

17. Shipped Kranston & Co., Salt Lake City, to be sold on my account and risk, 50 boxes cheese, 3000 lbs., invoiced at 17 cts. Paid cartage in cash, \$2.

19. Sold, for cash, 25 tubs butter, 1250 lbs., at  $32\frac{1}{2}$  cts.; 25 crates eggs, 750 doz., at 29 cts.

20. Received from the Woodlawn Com. Co. an account sales of the 50 crates eggs shipped to them on the 6th inst. My net proceeds in cash, \$402.10.

22. Bought of the Purity Dairy Co., on account, 25 tubs butter, 1250 lbs., at 24 cts.

23. Sold for cash from Tracey & Son's Consignment No. 1, 40 boxes lemons at \$3.25.

Closed Tracey & Son's Consignment No. 1, and rendered them an account sales. Storage charges, \$2.15; commission 10% on sales; their net proceeds remitted in cash.

24. Shipped Knowlton Bros., San Francisco, to be sold on my account and risk, 25 tubs butter, 1250 lbs., invoiced at 24 cts. Paid cartage in cash, \$1.75.

26. Received from Kranston & Co., an account sales of cheese shipped them on the 17th inst. Net proceeds, due in 30 days, placed to my credit, \$571.

27. Received from Mann & Co., Redlands (Consignment No. 2) to be sold on their account and risk, 15 bbls., 1500 pine-apples. Paid freight and cartage in cash, \$5.80.

28. Sold D. D. Pratt & Co., City, on account, from J. J. George's Consignment No. 1, 100 bunches bananas at \$2.95; from my stock of merchandise, 25 crates eggs, 750 doz., at  $28\frac{1}{2}$  cts.

Closed J. J. George's Consignment No. 1, and rendered him an account sales. Storage charges, \$2.25; commission 10% on sales; his net proceeds, due in 30 days, placed to his credit.

29. Sold, for cash, from Mann & Co.'s Consignment No. 2, 8 bbls., 800 pineapples at 12½ cts.

Post (two accounts to page) and take a trial balance. Remember that shipment or consignment accounts represent merchandise and must not be confused with the personal accounts of the parties to whom shipments are made or from whom consignments are received.

Make financial statements. For what are shipment accounts debited? Credited? Shipment accounts, at the time of closing the books, may show the following conditions: The shipment made and all costs charged but no returns received, in which case the shipment is generally considered a resource inventory for the full amount of the cost. The shipment made and all costs charged and the returns for a partial sale of the shipment credited, in which case the unsold portion is generally treated as a resource inventory at cost, and this inventory added to the credit causes the account to show either a loss or gain on the sold portion (same as merchandise account). The shipment made and charged with all the costs and credited with the entire net sales, in which case the shipment shows a loss or gain.

For what are consignment accounts debited? Credited? The following conditions may be shown by consignment accounts at the time of closing the books: The consignment received and debited for the charges advanced but no sales made, in which case the amount advanced is a resource. The consignment received and debited for the advanced charges and credited with partial sales, in which case the account shows a liability for the amount of the sales less the advanced charges. (The charges earned on the part sold but not yet entered, are treated as a resource inventory in commission, storage, etc.) The consignment received and debited for all advanced charges, charges earned in making the sales and the net proceeds, and credited for the sales of the entire consignment, in which case the account balances.

Inventories: Merchandise, 25 tubs butter, 1250 lbs., at 24 cts.; Commission earned on consignment No. 2, Mann & Co., but not entered, \$10; Shipment No. 1, Knowlton Bros., \$301.75.

## REVIEW I.

Make use of the index in finding answers to the following questions: What is a business transaction? What is book-keeping? What is the rule for debits? Credits? What is included under the title of cash? What is merchandise? What are personal accounts?

Journalize the following on a half-sheet of journal paper:

Dec. 1. Bought of R. C. Thompson, for cash, 200 bbls. flour at \$4.

2. Sold to A. H. Warren, for cash, 50 bbls. flour at \$4.50.

3. Bought of Winter Bros., for cash, 300 bu. corn at 37 cts., and 300 bu. wheat at 61 cts.

4. Sold Wm. Archer & Co., for cash, 50 bbls. flour at \$4.50, and 100 bu. corn at 40 cts.

5. Bought of Arthur McMillan, for cash, 100 bbls. flour at \$3.90, and 1200 bu. oats at 33 cts.

6. Sold Henry Hamilton, on account, 10 bbls. flour at \$4.50.

7. Received cash from Henry Hamilton, on account, \$30.

8. Bought of Henry Hamilton, on account, 50 bu. potatoes at 45 cts.

9. Henry Hamilton returns 2 bbls. of flour which was damaged, we credit the same on account at \$4.50 each.

10. Sold Arthur Grayden, on account, 25 bu. potatoes at 53 cts.

We have the following inventory: 192 bbls. flour at \$3.95; 200 bu. corn at 37 cts.; 300 bu. wheat at 61 cts.; 1200 bu. oats at 33 cts.; 25 bu. potatoes at 46 cts. What has been gained or lost on merchandise?

Does the business owe Henry Hamilton or does he owe the business and how much?

## REVIEW II.

What is included in the expense account? What is real estate?

As bookkeeper for J. Martin Snow, journalize the following, providing a separate account for each separate piece of real estate:

Feb. 1. Bought of Sunset Realty Co. a dwelling and five lots, 1001 to 1009 Pacific Grove Ave., for \$6750. Gave in payment cash \$5000 and my 6-mos note, with interest at 6% for the balance. (Open an account with Pacific Grove Ave. Real Estate.)

2. Mr. Snow has rented an office, 1126 Braly Bldg., paying one month's rent, \$35, in advance. This office will be used in carrying on his business.

3. Bought of Barker Bros., on account, 10 days, 1 roll top desk, \$60; 1 office chair, \$6; 1 office table, \$14; 4 plain chairs at \$3.25; 1 clerk's desk, \$20; and 1 Macey letter file, \$18. (Open Furniture and Fixture account.)

4. Mr. Snow paid Joe Blaine for cleaning windows and scrubbing floor of office, \$2.50.

5. Bought of Niles Pease Furniture Co., for cash, 1 Wilton rug, \$22.50, for use in office.

6. Paid Wallace & Son for painting dwelling, 1009 Pacific Grove Ave., \$74.25 in cash.

6. Paid bill for office telephone, 1 month in advance, \$4.

8. Bought for cash office books, stationery, etc., amounting to \$18.60.

8. Rented dwelling, 1009 Pacific Grove Ave., to W. S. Miller, receiving one month's rent in advance, \$22.50.

9. Mr. Snow has purchased 3 lots, 4562-4566 Vermont Ave., giving in payment a check on First National Bank for \$4720.

10. Paid water tax for dwelling, 1009 Pacific Grove Ave., \$1.55.

18. Paid Burke Bros. for new cement walk and curbing, 4562-6 Vermont Ave., \$113 in cash.

18. Paid Barker Bros. in full for invoice of 3rd inst.

27. Paid an assessment on Vermont Ave. property for street improvements, \$105.

27. Paid taxes on Vermont Ave. property, \$12.45.

27. Sold lots 1001 and 1003 Pacific Grove Ave., to J. R. Buell, \$2200 in cash.

28. Paid L. A. Towel Supply Co.'s bill for towels supplied office during month, \$1.25.

28. Returned clerk's desk, purchased on the 3rd inst., to Barker Bros., at a discount of 10% from cost, and purchased from same firm a flat-top typewriter desk at \$28, paying balance in cash.

28. Paid rent on typewriter for  $\frac{1}{2}$  month, \$2. Paid for advertising Pacific Grove Ave. property, \$22.

If the office books, stationery, etc., now on hand are worth \$12, what was the expense to Mr. Snow of carrying on his business for the month? Mr. Snow estimates his Pacific Grove Ave. property remaining unsold to be worth \$5,000. Has he gained or lost on this property and how much. If the Vermont Ave. property is worth \$5200, how much has he gained or lost on this property?

### REVIEW III.

What is included under the title of Bills Receivable? Bills Payable?

Jan. 1. You begin a general merchandise business with no investment.

Borrowed \$5000 from the City Bank on your 30-day note.

Gave J. Benson your 10-day note in payment of rent of store for one month, \$100.

2. Bought a bill of merchandise from John Henderson, amounting to \$5000, and gave him your note at thirty days, with interest, in payment of same.

Sold H. Mason, on account, 2-10, n-30, 3000 bu. wheat at 80 cts.

3. Bought a horse and wagon from J. W. Brown and had



the same charged to your account, \$500. (Open Horse and Wagon account.)

4. Sold John Davidson,  $\frac{1}{2}$  cash, balance 15-day note, 5000 bu. wheat at 80 cts.; 2000 bu. corn at 50 cts.

5. Received of H. Mason his note at 15 days from Jan. 2, for the full amount of his bill of that date.

8. Accepted J. W. Brown's 15-day sight draft on you, in favor of H. E. Rose, in full payment of the horse and wagon purchased on the third.

11. Paid your note of Jan. 1, due today, by check.

14. Sold H. Mason a bill of merchandise amounting to \$2000, receiving in payment a draft at three days sight, on H. E. Wing of this city, which the drawee has this day accepted.

16. Bought of John Martin a bill of merchandise, amounting to \$2500. Gave in payment the acceptance received on the 14th, and your personal note at ten days, with interest, for the balance.

19. Received of John Davidson a sight draft, on Henry Jameson, in full payment of his note due today.

21. Sold Henry Webb a bill amounting to \$1000, receiving in payment his note at 15 days for \$500, and a 30-day draft, on Ira Johnson, for the balance.

23. Paid acceptance of the 8th inst., favor of H. E. Rose, by check.

What is the face value of the notes you hold against others? What is the face value of the notes held by others against you?

#### REVIEW IV.

What is interest? Discount? Merchandise Discount is an allowance made on a bill of merchandise for payment within a certain specified time. Bills Receivable and Bills Payable should always be entered at their face value. Journalize the following:

Feb. 1. You owe Jesse Warner \$512. Give him cash for  $\frac{1}{2}$  the amount and your note at ten days, with interest, for the balance.



2. H. M. Zaner pays you the interest accrued on his note in cash, \$16.45.

3. John King prepays an invoice, previously charged to his account, amounting to \$186. You allow him a discount of 2% and receive the balance in cash.

4. You pay the interest on your note in favor of Frank Storm, in cash, \$23.06.

5. You have Isaac Shaw's note for \$600, at 90 days. The note has run for 30 days and you discount it at the bank, at 6%, and receive cash for the proceeds.

6. Receive cash of Geo. Burns for his note and interest due today. Face of note \$425, interest accrued \$10.65.

7. You owe Joel Starr \$206 on account and pay the same in cash, less 3%.

8. There is a mortgage on your house amounting to \$2200. Today one year's interest is due, \$110. Settle for the interest by giving your note at 10 days. The mortgage is held by Chas. Bennett.

9. You have John Davis' note for \$400, with interest, at 60 days. The note has run for 30 days, and you discount it at the bank, at 6%, and receive credit for the proceeds.

10. On Jan. 12 you bought a bill of merchandise of H. Johnson amounting to \$600, terms; 2-10, 1-30, net 60. In order to get the benefit of the discount you pay the same by check.

11. Your note of Feb. 1, is due today. Pay full amount by check on City Bank.

12. You receive today, on account, William Weaver's 30-day note for \$300, without interest. You discount it at once and receive cash for the proceeds. Rate of discount, 6%.

If the receiving of the note on account is considered as one transaction, and discounting the note at the bank as another transaction, then two entries are necessary. First, debit Bills Receivable and credit Wm. Weaver. Second, debit Discount and Cash and credit Bills Receivable (Why?) If considered as one transaction in which Wm. Weaver has produced a note which immediately resulted in our getting credit at the

bank less discount, then Discount and Cash must be debited and Wm. Weaver credited.

13. Your note in favor of Samuel Barnum, for \$200 and interest on the same, \$6.50, is due today. You redeem the note and interest on same by issuing a new interest-bearing note for \$206.50.

The interest accrued on unpaid notes is as follows: Bills Receivable, \$10.50; Bills Payable, \$12. What has been the loss or gain on interest and discount? What is the difference between the two sides of the merchandise discount account, and what does the difference show?

## REVIEW V.

The entries for this set may be made in the journal or in journal and cash book. Apply to your teacher for directions concerning what books to use.

April 1. Hiram Cooke and Lawrence Stoner have this day formed a co-partnership for the purpose of continuing the hay and grain business previously conducted by Mr. Stoner. In addition to carrying on this business, they will loan money and deal in real estate.

Mr. Cooke invests the following resources and liabilities:  
Cash on deposit in Commercial Bank, \$7000.

Note made by John Spring, dated March 1st, at two months, with interest at 6%, face of note, \$2000.

Note made by the Western Tool and Die Co., dated Feb. 20, at 90 days, without interest, face of note, \$1500.

Interest accrued on John Spring's note, \$10.

Due A. W. Jones on account, \$490.

Due Bolton Bros., on account, \$20.

Mr. Stoner invests the following:

500 bu. rolled barley at 60 cts.

5 tons wheat at \$1.50 per cwt.

12 tons alfalfa at \$10 per ton.

18 tons barley hay at \$9.50 per ton.

14 tons straw at \$6.50 per ton.

Horses, wagons and harness valued at \$510.

Wm. Scott owes him on account \$24.50.

Summerland & Co. owe him on account, \$118.

Mrs. C. L. Patch owes him on account, \$54.25.

McFarland & Swayne Co. owe him on account, \$211.20.

He owes Marsh & Wallson, on account, \$67.50.

He owes Bolton Bros. on account, \$110.

Cash on deposit in First National Bank, \$8427.55.

The firm name decided upon is "The Cooke-Stoner Co."

The hay and grain business will be continued at 325 E. Fourth Street, but it is thought best to open an "up-town" office, chiefly to facilitate the real estate and loan part of the firm's business.

Rented for office purposes Room 12, Lande's Bldg., paying one month's rent \$28, in advance.

Bought office furniture of the Excelsior Furniture Co., as per invoice, giving our check for \$154.75 in payment.

Received for sundry cash sales during the day at the feed store, \$18.25.

2. Had Home telephone installed in office, paying one month's rent in cash, \$6.

Paid Bolton Bros. cash on account, \$50.

Paid Walter Smith in cash for cleaning office room, \$3.

Loaned Mrs. Lillian Swartz on her note at 30 days, bearing interest at 7%, \$250.

Cash sales for day, \$17.35.

3. Received of McFarland & Swayne, a 10-day note for \$200, with interest at 6%, to apply on account.

Bought of M. C. Adams, 10 lots, Nos. 4700 to 4709 inclusive, S. Fulton St. Paid for same in cash, \$3450.

Paid L. W. Newitt for painting sign at feed store, \$4.50.

Cash sales for day, \$24.

4. Sold Summerland & Co. Mdse. amounting to \$150. Received cash, \$100, the balance on account.

The Western Tool and Die Co. today arranged to take up their note of Feb. 20. They give us a new 30-day note for \$500, and cash for the remainder, less a discount of 6%.

Cash sales for the day, \$19.55.

5. Bought of Marsh & Wallson a carload of alfalfa. Gave in payment our 30-day note for \$125, balance on account, \$57.80.

Paid A. W. Jones, cash to apply on account, \$300.

Cash sales for day, \$32.50.

Paid for having horses shod, \$2.

6. Loaned the Southwestern Wool Co., on their 30-day, 6% note, \$2000.

Paid employees' salaries for week, \$22.50.

Cash sales for day, \$41.60.

8. Paid L. W. Newitt for lettering on office door, \$1.25.

Paid for stationery, etc., \$14.50.

Took out six months' insurance policy, on stock and equipment at the feed store, in the German Fire Insurance Co., face of policy, \$2000. Paid premium of  $1\frac{1}{4}\%$  on same in cash.

Bought lots number 762 and 764 N. Lake St., of the Mutual Real Estate Co. Lots front 120 ft. on Lake St. and are 125 ft. deep. Terms of purchase are \$100 per front foot,  $\frac{1}{4}$  cash, balance in 3 equal notes, one for six months, one for one year, and one for  $1\frac{1}{2}$  years, each bearing interest at 6%.

9. Paid City and County taxes on Fulton St. real estate amounting to \$14.60.

Bought of Marsh & Wallson, 2-10, n-30, 10,450 lbs. Ro. Barley at 69 cts. per cwt.

Paid our note of the 5th inst., favor Marsh & Wallson, in cash, less discount at 6%.

10. Sold R. D. Bunker, 2-10, 1-30, n-60, Mdse, amounting to \$315.

11. Sold Smith & Walton lot No. 4700 Fulton St., for \$500, receiving in payment, \$400 cash, balance on account.

Received of Summerland & Co., \$100 cash, to apply on account.

12. Loaned the Excelsior Furniture Co. on their 60-day note, \$1500, deducting interest at 6% in advance.

Loaned Wm. Scott \$10 on account.

13. Paid tax on Lake St. property amounting to \$28.70.

Paid wages for week, \$22.50.

Mr. Stoner withdraws cash for private use, \$25.

Cash sales for week, \$378.45.

15. Sold A. C. Hill, 2-10, n-30, 12 tons alfalfa at \$13, 5000 lbs. wheat at \$1.63 per cwt., 3 tons straw at \$7.25. Mr. Hill hands us a check of \$200, with the understanding that he is to receive advantage of the agreed discount on the payment made.

Paid a special assessment of \$120, for cement curbing and street improvements on Lake St. real estate.

16. Bought of Mrs. Jennie Moore the frame dwelling now situated at 910 Fulton St., giving in payment our 90-day note, without interest, for \$2100. We have made arrangements with Smith & Walton to move this house on lot No. 4709 of our Fulton St. property.

Sold lot No. 4702 Fulton St. to Mrs. C. L. Patch for \$465. Received cash, \$350, balance on account.

Paid for janitor services for office, No. 12 Lande's Bldg., to date, \$5.

17. McFarland & Swayne paid their note of the 3rd inst., and interest, in cash.

Sold Wm. Scott, Mdse. amounting to \$210.35, on account.

18. John Spring paid his note of March 1 and interest accrued to date in cash.

19. Sold Charles Miller lot No. 4708 Fulton St., at \$510. Received in payment his 3-day sight draft on L. C. Smith for \$210, balance in cash.

Paid Marsh & Wallson in full for invoice of the 9th inst., less 2%.

20. Bought of A. W. Jones, Mdse. amounting to \$416, terms: 3-10, n-60.

Paid employees' wages for week, \$22.50.

Mr. Cooke withdraws for private use, \$35.

Cash sales for week, \$516.75.

22. Received cash in full for draft received on the 19th inst.

23. Received a bill from Smith & Walton for moving

dwelling to 4709 Fulton St., \$250. After deducting the amount due us on account, we pay the balance of this bill in cash.

24. Received cash of A. C. Hill in full of balance due on invoice of the 15th inst., less 2%.

Sold to the Carlton Realty Co. our Lake St. real estate at \$133  $\frac{1}{3}$  per front foot. Received in payment cash for one-half and their 6-months note for the balance.

By special agreement with the Mutual Real Estate Co., we pay our three notes outstanding against this property and interest accrued to date in cash.

25. Transferred note received on the 4th inst., from the Western Tool & Die Co., to A. W. Jones to apply on account, less discount for the unexpired time at 6%.

Bought of Bolton Bros., Mdse. amounting to \$2480. Gave in payment note received on the 6th inst. from the Southwestern Wool Co., receiving credit for the proceeds, balance on account.

26. Paid the following bills: For foundations 4709 Fulton St., \$65.40; for plumbing at same place, \$12.65; for painting and repairing at same place, \$93.

Paid employees' wages for week, \$22.50.

Summerland & Co. have failed in business. Being unable to pay their debts in full, they have compromised with their creditors on a basis of 65 cts. on the dollar. We receive a check from them settling their indebtedness to us on this basis.

Cash sales for the week, \$472.60.

28. Rented house and lot No. 4709 Fulton St. to L. A. Houseman, receiving one month's rent, \$25, in advance.

Paid Bolton Bros., in full, for balance of invoice of the 25th inst., less 1%.

29. Paid rent for feed store for month of April, \$45.

A desk purchased on the 1st inst., of the Excelsior Furniture Co., and costing \$18, was today exchanged for one of larger size, and the difference of \$7 paid in cash.

30. Paid bookkeeper and stenographer's salary to date, \$65.

Paid L. A. Towel Supply Co.'s bill for month, \$1.25.

Paid sundry expense items at feed store in cash, \$10.25.

Cash sales to date, \$214.

Paid Marsh & Wallson to apply on account, \$100.

Mr. Stoner reports the following inventories:

Mdse. on hand, \$2060.

Fulton St. real estate, \$5330.

Horse and wagon, \$500.

Due on employees' wages, \$12.50.

Unused stationery, etc., \$8.

Furniture and Fixtures, \$154.

Post, take a trial balance, make out financial statements, and close all accounts affected by the losses or gains of the business.

## REVIEW VI.

What is a shipment? What is a consignment? What is commission? What is a shipping and commission business?

Journalize the following transactions:

May 1. Shipped the United Commission Company, Portland, Oregon, to be sold on our account and risk, 240 boxes Lemons valued at \$2 per box. Paid drayage and loading expenses, \$27.25.

Shipped the Illinois Produce Co., Chicago, 510 boxes Lemons valued at \$2 per box. Paid drayage, loading and iceing expenses amounting to \$76.10.

2. Received of C. O. Filmore, Sacramento, to be sold for his account, 300 sacks Early Rose potatoes. Paid freight and drayage on same, \$67.50.

3. Sold for cash 20 boxes of Lemons, at \$2.15, from our own stock, 150 sacks of Early Rose, at \$1.67, from C. O. Filmore's consignment.

4. The First National Bank has presented a sight draft for \$150, drawn on us by C. O. Filmore, on account of his consignment. We have paid same by check on American National Bank.

5. Received of the Gold Medal Milling Co., St. Paul, 500 barrels of flour, to be sold for their account. Paid freight and drayage on same, \$302.60.

6. Sold Weeks & Co., on account, 100 barrels flour from the Gold Medal Milling Co.'s consignment at \$6.45.

8. Sold for cash 10 boxes lemons at \$2.10, from our own stock, 100 sacks Early Rose from C. O. Filmore's consignment at \$1.70, and 100 barrels flour at \$6.40, from Gold Medal Milling Co.'s consignment.

9. Drew a sight draft on the United Commission Co., on account of our shipment, for \$400 and deposited same in bank.

10. Sold for cash 50 sacks Early Rose, from C. O. Filmore's consignment at \$1.73.

11. Closed C. O. Filmore's consignment, charging 5% commission and 1% storage. Remitted the balance due him by San Francisco draft.

12. Received an account sales from the United Commission Co. showing \$710.26 net proceeds, which amount has been placed to our credit by them.

15. Accepted a 10-day sight draft, for \$300, drawn on us by the Gold Medal Milling Co. on account of their consignment.

What does the account with our Shipment to the United Commission Co. show? Why? What does our account with the United Commission Co. show? Why? If the lemons shipped to the Illinois Produce Co. are inventoried at \$1,100, what does our account with this shipment show? Why? What does our account with C. O. Filmore's consignment show? Why? What does our account with the Gold Medal Milling Co.'s consignment show? Why?



# APPENDIX. Corrections.

Entries that have been made in ink, if found to be wrong, should never be erased. Corrections should be made so as to show clearly what the error was and what the correction is. Of course, corrections should be neat and precise.

If amounts are wrong, either of the corrections given in Ex. 1 are satisfactory.

If the debit or credit items both are wrong, it is a good plan to check with a cross the items in the ledger folio column, cancel the amounts (see Ex. 2) and rewrite the entry referring in the explanation to the error (see Ex. 3).

If the entry in Ex. 2 were posted before the error was discovered, the correction may be made as shown in Ex. 4.

Errors in a ledger account may be corrected as shown in Ex. 5.

All corrections should be made about as shown in these examples. They should be clear, clean-cut, precise.

(Ex. 1) Feb. 3				
Mdse		236	10	
		<del>263</del>	<del>10</del>	
J. C. Crath				236 10
Bil on a/c Inv. 1/24/-				<del>263</del> X 2
(Ex. 2) 4				
X	Cash	150	-	
X	Bills Rec.			150 -
Borrowed of M. C.				
Nash on our 10 da. note				
(Ex. 3) 8				
Cash		150	-	
Bills Pay.				150 -
To correct error				
of Feb. 4, Bills Rec. being				
credited instead of Bills Pay.				
(Ex. 4) Mar. 3				
Bills Rec.		150	-	
Bills Pay.				150 -
To correct error				
of Feb. 4, when Bills Rec. was				
credited instead of Bills Pay.				

## Merchandise

19—				19—			
Jan.	1	36	428 10	Jan.	10	43	73 60
	2	37	328 60		11	43	27 60
	4	37	49 70		X8		31 59
	5	37	253 40				
Forward		82	1059 80	Forward		82	1051 20

### LOCATING ERRORS IN TRIAL BALANCES.

When a trial balance does not prove, it is well to follow a definite plan of search for the error. The following plan is suggested as a thorough one for the beginner and one which, with a mastery of the subject of bookkeeping, can be modified by the worker to fit unusual conditions. Carry out the plan step by step in the order given.

1. Be sure the additions of the trial balance are correct.
2. Find the exact amount out of balance and if this amount occurs anywhere in your work be sure that it is correctly placed. If the difference is 1, 10, 100, etc., the probabilities are you have made a mistake in addition or subtraction.
3. If the amount out of balance is divisible by 2, look for one-half of the amount and be sure such amounts are on the correct side. To illustrate: \$9.25 posted on the wrong side will make a difference of twice that amount, or \$18.50, in the trial balance.
4. Verify the additions of your ledger accounts and the carrying of the footings or balances to the trial balance.
5. Check your posting.
6. Examine the last ledger closing and find out if your ledger was in balance when closed.
7. Examine the books of original entry and make sure that you have a balancing entry for each transaction.

If the above seven steps are accurately taken, your trial balance will prove. The following does not discover any errors that can not be discovered by the above seven steps, but it will often save a great deal of time in locating certain kinds of errors.

If the amount out of balance is divisible by nine, the error may be a transposition, transplacement or a transposition-transplacement. These errors may be located according to the following processes:

**Transposition.** By transposition is meant the change of position of two digits in a number, for instance if 125 is written as 152, 305 written as 503, etc. An error of this kind always causes a difference which is divisible by nine. If the difference is of two places the transposition is between adjacent digits. Divide this difference by 9 and the quotient will give the difference between the two digits transposed. Thus in the first illustration above the difference between 152 and 125 is 27. 27 divided by 9 gives a quotient of 3, that is of the digits transposed one is greater than the other by 3. It might be 1 and 4, 2 and 5, 3 and 6, etc. Examine all numbers which show such a difference and determine if they

are correctly entered. If the difference is of more than two places the transposition occurs between digits that are not adjacent. Divide by as many nines as may be necessary to secure a quotient of one figure. Thus in the second illustration above the difference between 503 and 305 is 198. 198 divided by 99 gives a quotient of 2, that is of the two digits transposed one is greater than the other by 2. It might be 1 and 3, 2 and 4, 3 and 5, etc. One less than the number of places in the divisor 99, indicates the number of figures between the two transposed. There are 2 places in 99, hence one figure is found between the 3 and 5. If the amount out of balance has zeros to the right, they are disregarded in this process. Thus if 42378. is written as 72348 the difference is 29970. 2997 divided by 999 gives a quotient of 3, which is the difference between the digits transposed, while one less than the number of places in the divisor, or 2, is the number of digits between the two figures transposed.

**Transplacement.** Transplacement is the writing of figures out of their proper places, getting them too far to the right or left, for instance \$35 written as 35 cents, or \$160 written as \$1.60, etc. If the error is a writing of dollars as cents, or the reverse, the amount out of balance will consist of dollars and cents. Add the cents to the dollars and the sum will be 99. Drop the cents and add one to the dollars and you will have the amount transplaced. To illustrate: \$35 written as 35 cents will give \$34.65 as the amount out of balance, 65 plus 34 is 99. Drop the cents (65), add one to the dollars (34 plus 1) and you have the amount transplaced (35). If \$160 is written as \$1.60 the amount out of balance is \$158.40. Practically always transplacement occurs by confusing dollars with cents, or the reverse, thus causing a shifting of 2 places to the right or left, therefore divide by nines in 2 places, or 99. 158.40 divided by 99 gives 160 the number transplaced.

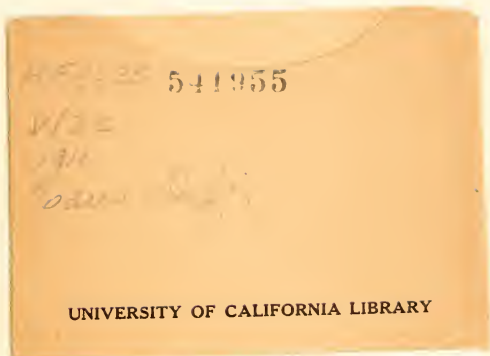
**Transposition-Transplacement.** Transposition-transplacement is the writing of dollars as cents and at the same time transposing the two digits, thus \$23 as 32 cents, or \$64 as 46 cents. Divide the amount out of balance by a number with nines in enough places so that there will be but one figure in the quotient. Then divide the remainder in the same way. Your first quotient will be the first digit and the second quotient the second digit of the number transposed and transplaced. To illustrate: if \$23 is written 32 cents the amount out of balance is \$22.68. \$22.68 divided by 999 gives a quotient of 2 and a remainder of 270. Disregard the cipher to the right. Divide by 9, the quotient is 3. 2 is the first digit and 3 the second of the number, or 23. If \$64 is written as 46 cents the amount out of balance is \$63.54. Divide by 999 and the quotient, first digit, is 6. Divide the remainder, 360, dropping the zero, by 9 and the quotient, second digit, is 4, therefore the number transplaced and transposed is 64.

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